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STATE OF MONTANA

DEPARTMENT OF FISH AND GAME

Report on Examination of Financial Statements

Fiscal Year Ended June 30, 1977

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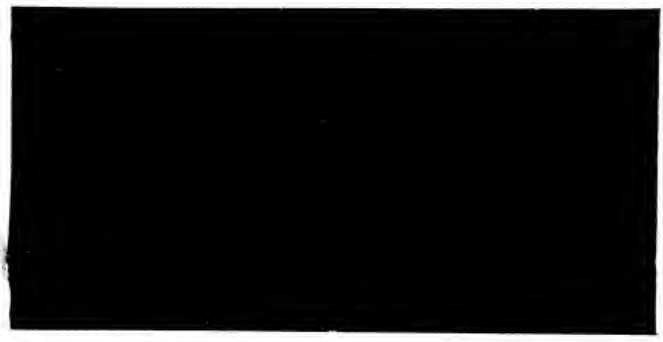

STATE OF MONTANA

DEPARTMENT OF FISH AND GAME

Report on Examination of Financial Statements

Fiscal Year Ended June 30, 1977

TABLE OF CONTENTS

	Page
Administrative Officials	vi
Summary of Recommendations	vii
Scope of Examination and Opinion	xx
Objective of Internal Control Review	xxiv
Comments	1
General	1
Financial Statements	3
Unrecorded Accounts Receivable	4
Revenue	5
Internal Control and Security	5
License Receipts	6
Cash Processing	7
Accounting	9
Accrual of Revenue	11
Expenditures	12
Accruals	12
Moving Expenses	13
Retained Attorneys	14
Travel	15
Regional Purchase Orders	16
Employee Dues	17
Unbilled Reimbursable Expenditures	17
Indirect Costs	18
Expenditure Authority	19
Personal Services	19
Internal Controls	20

TABLE OF CONTENTS (Continued)

	Page
Status Changes	21
Time Records	22
Employee Leave	23
Inventories	24
Vehicles	26
Montana Outdoors	31
Cash Basis of Accounting	32
Subscription Obligations	32
Subscriptions	33
Newstand Sales	33
Print Run Reconciliation	35
Plant, Property and Equipment	35
Fiscal Year 1976-77 Land Purchases	36
In Lieu of Taxes	37
Game Wardens' Retirement System	38
Fish and Game Drawings	41
Introduction	41
Overview of License Drawing Problems in 1977	43
Effect on Sportsmen	43
Management Problems	45
Technical Problems	46
Written Procedures	47
System and Program Documentation	48
Batch Balancing	49
Party Applications	51
Acceptance of Late Applications	52

TABLE OF CONTENTS (Continued)

	Page
Edit and Update	53
Age Validation	53
Conservation Numbers	54
Invalid Permits	55
Edit and Error Correction	56
Control and Follow-up of Edit and Update Reports	56
System Inflexibility	57
Status Indicators	57
On-line Access	59
Landowner Preference	60
Years' Preference	61
Update	62
Returned Permits	63
Resident--Nonresident Age Requirements	65
Management Reports	66
System Design	67
Computer Services Division	68
Forms Control	68
Restore Procedures	69
Random Drawing	69
Permit Selection	71
Communications	73
Review Procedures	74
Public Notice	75
License and Drawing File Information	75
Missing Data	76

TABLE OF CONTENTS (Continued)

	Page
Incomplete Date Capture	76
Mini Drawings	77
Combined Records	78
Refund Procedures and Policies	79
Refund Processing	80
Refund Status	80
Refund Control	81
Final Comments	83
Financial Statements:	
Combined Balance Sheet, June 30, 1977	84
Earmarked Revenue Funds Balance Sheet	85
Federal and Private Revenue Funds Balance Sheet	86
Federal and Private Grant Clearance Funds Balance Sheet	87
Statement of Estimated Revenue Compared to Actual Revenue and Appropriations Compared to Actual Expenditure, All Funds for the Fiscal Year Ending June 30, 1977	88
Earmarked Revenue Funds, Statement of Estimated Revenue Compared to Actual Revenues and Appropriations Compared to Actual Expenditures	89
Federal and Private Revenue Funds, Statement of Estimated Revenue Compared to Actual Revenue and Appropriations Compared to Actual Expenditures	90
Statement of Changes in Fund Balances, All Funds for the Fiscal Year Ending June 30, 1977	91
Statement of Changes in Fund Balance, Earmarked Funds	92
Statement of Changes in Fund Balance, Federal and Private Revenue Funds	93
Statement of Expenditures by Program and Source of Funds	94
Detailed Report on Hunting, Fishing and Miscellaneous License Sales	95

TABLE OF CONTENTS (Continued)

	Page
Notes to Financial Statements	96
Agency Replies:	
Department of Fish and Game	97
Department of Administration	127

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

MONTANA FISH AND GAME COMMISSION

		Term Expires
Arthur C. Hegenston	Glendive	January 1979
Spencer S. Hegstad, Vice Chairman	Dillon	January 1979
Alfred L. Bishop	Billings	January 1981
Joseph J. Klabunde, Chairman	Havre	January 1981
Earl L. Sherron, Jr.	Missoula	January 1981

ADMINISTRATIVE OFFICIALS

Robert F. Wambach	Director
Fletcher E. Newby	Deputy Director
Orville W. Lewis	Associate Director
Larry E. Putnam	Administrator, Centralized Services Division

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Department of Fish and Game and the Department of Administration are included in the back of this report.

	Page
Record all financial activity and balances on SBAS.	4
Agency Reply: Concur. See page 98.	
Centralize the accounts receivable function and record all receivables in the accounting records.	5
Agency Reply: Concur. See page 98.	
Separate the mail opening, cashiering, and document approval functions for cash receipts.	6
Agency Reply: Concur. See page 98.	
Restrictively endorse all checks as the mail is opened.	6
Agency Reply: Concur. See page 99.	
Safeguard all cash receipts in the custody of the cashier.	6
Agency Reply: Concur. See page 99.	
Separate all cash items from license applications before those applications are processed.	7
Agency Reply: Concur. See page 99.	
Investigate the use of a validator to count and record the dollar amount accompanying applications.	7
Agency Reply: Concur. See page 99.	
Establish a centralized mail opening function to separate cash items and send them directly to the cashier.	8
Agency Reply: Concur. See page 99.	
Request all checks be made payable to the Montana Department of Fish and Game.	8
Agency Reply: Concur. See page 100.	

SUMMARY OF RECOMMENDATIONS (Continued)

	Page
Provide an audit trail of all collections by source of funds and include this documentation with collection reports.	8
Agency Reply: Concur. See page 100.	
Record gross license revenues and the associated commission expense.	10
Agency Reply: Concur. See page 100.	
Record all revenue refunds as refunds rather than revenue abatements.	10
Agency Reply: Concur. See page 100.	
Record CETA employees' salaries as income instead of expenditure abatements.	10
Agency Reply: Concur. See page 100.	
Require regional offices to remit deposit tickets and remittance advices in a timely manner.	10
Agency Reply: Concur. See page 100.	
Accrue revenue in accordance with generally accepted accounting principles and apply those principles consistently.	12
Agency Reply: Do not concur. See page 101.	
Accrue only those purchase orders which meet accrual guidelines.	13
Agency Reply: Concur. See page 101.	
Establish purchase orders after June 1, only when the goods can be received and consumed by fiscal year-end.	13
Agency Reply: Concur. See page 101.	
Discontinue the policy of paying moving expenses for retired personnel or seek statutory authority for this policy.	14
Agency Reply: Concur. See page 102.	
Retain outside legal counsel only to obtain specific expertise not available within the department's staff.	15
Agency Reply: Concur. See page 102.	

SUMMARY OF RECOMMENDATIONS (Continued)

	Page
Develop expertise in its legal staff to meet recurring departmental needs.	15
Agnecy Reply: Concur. See page 102.	
Require each employee to submit a separate travel expense voucher.	16
Agency Reply: Concur. See page 103.	
Establish proper field review procedures for all travel claims.	16
Agency Reply: Concur. See page 103.	
Establish policies and procedures to ensure all field purchases over a specified dollar amount are approved by supervisors.	17
Agency Reply: Concur. See page 103.	
Review completed purchase order books to ensure that all purchases are approved by supervisors.	17
Agency Reply: Concur. See page 103.	
Review all project reimbursable costs before projects are finalized to ensure that all costs allowable for reimbursement have been submitted to the U.S. Fish and Wildlife Service.	18
Agency Reply: Concur. See page 104.	
Obtain indirect cost negotiation agreements for all federal grant programs.	19
Agency Reply: Partially concur. See page 104.	
Allocate indirect costs per indirect cost negotiation agreements on all projects to record total costs associated with each project.	19
Agency Reply: Partially concur. See page 104.	
That legislation be enacted amending Section 26-123, R.C.M. 1947, to allow expenditures from all department funds.	19
Agency Reply: Concur. See page 105.	

Page

Deliver pre-payrolls and payroll status forms directly to the Central Payroll Division of the State Auditor's Office after the forms are approved. 21

Agency Reply: Concur. See page 105.

Provide for distribution of payroll warrants by someone other than the payroll supervisor. 21

Agency Reply: Concur. See page 105.

Work with the State Auditor to develop payroll system modifications to provide division administrators and regional supervisors with a listing of the payroll transactions charged to their divisions or regions. 21

Agency Reply: Concur. See page 105.

Provide for signing of payroll status forms by employees and appropriate administrators. 22

Agency Reply: Partially concur. See page 106.

Time records be completed in ink. 23

Agency Reply: Concur. See page 106.

Supervisors properly review and approve all time records. 23

Agency Reply: Concur. See page 106.

The payroll supervisor obtain authorization for all adjustments to time reports and document the authority for all adjustments. 23

Agency Reply: Concur. See page 106.

Require employees to fill out request for leave forms accurately and completely. 23

Agency Reply: Concur. See page 107.

Allow employees to take compensatory time off only when they have compensatory time balances. 23

Agency Reply: Concur. See page 107.

Establish and maintain general ledger control over warehouse inventory. 26

Agency Reply: Concur. See page 107.

Page

Reconcile purchases and sales per WIS with SBAS. 26

Agency Reply: Concur. See page 108.

Produce a report disclosing all adjustments to the warehouse inventory. 26

Agency Reply: Concur. See page 108.

Require management approval for warehouse adjustments. 26

Agency Reply: Concur. See page 108.

Segregate the duties of receiving inventory and authorizing payments for purchases. 26

Agency Reply: Concur. See page 108.

Have nonwarehouse personnel conduct the annual inventory. 26

Agency Reply: Do not concur. See page 108.

Review and evaluate the effectiveness and need for the warehouse. 26

Agency Reply: Concur. See page 108.

Account for vehicles in a revolving fund. 31

Agency Reply: Concur. See page 109.

Adjust depreciation and replacement differential charges to allow only for cost recovery. 31

Agency Reply: Concur. See page 109.

Consider accounting for all vehicles in the vehicle accounting system. 31

Agency Reply: Concur. See page 109.

Review vehicle reports for mathematical accuracy. 31

Agency Reply: Concur. See page 109.

Develop a system to ensure that vehicle reports are submitted on a timely basis. 31

Agency Reply: Concur. See page 109.

SUMMARY OF RECOMMENDATIONS (Continued)

	Page
Recognize Montana Outdoors revenue using the accrual basis of accounting.	32
Agency Reply: Concur. See page 110.	
Disclose "unearned revenue" as a liability in the financial statements.	32
Agency Reply: Concur. See page 110.	
Implement procedures to accurately assess billings from the subscription service.	33
Agency Reply: Concur. See page 110.	
Separate the duties for newsstand sales to achieve strong internal control.	34
Agency Reply: Concur. See page 111.	
Maintain detailed records for each newsstand dealer.	35
Agency Reply: Concur. See page 111.	
Bill newsstand dealers for each issue.	35
Agency Reply: Partially concur. See page 111.	
Only allow credit for unsold issues after the magazines are returned.	35
Agency Reply: Concur. See page 111.	
Require that all payments be made to the department cashier and deposited directly with the state treasury.	35
Agency Reply: Concur. See page 111.	
Reconcile the total print run for each issue to magazine usage.	35
Agency Reply: Partially concur. See page 112.	
Require proper approval for promotion and other free distributions.	35
Agency Reply: Concur. See page 112.	

Page

Develop a complete listing of all land owned, including cost. 36

Agency Reply: Concur. See page 112.

Develop a plan to fund the Game Wardens' Retirement System on a sound basis, and seek legislation to adequately fund the system. 40

Agency Reply: Concur. See page 112.

Study alternatives to the current retirement system. 40

Agency Reply: Concur. See page 113.

Establish written procedures for the internal processing of applications and other procedures performed by the department's Special Licensing Section. 48

Agency Reply: Concur. See page 113.

Request a current license drawing system user's manual from the Department of Administration, Information Systems Division. 48

Agency Reply: Partially concur. See page 113.

Department of Administration Reply: Concur. See page 127.

That the Department of Administration, Information Systems Division maintain adequate, up-to-date systems and programming documentation. 49

Department of Administration Reply: Concur. See page 127.

Establish balancing procedures for calculated amounts, batches, cash received, and species counts. 50

Agency Reply: Concur. See page 114.

Modify the license and drawing system to eliminate the capability of changing original batch totals. 50

Agency Reply: Concur. See page 114.

Balance license application batches prior to the drawings. 51

Agency Reply: Concur. See page 114.

Page

Establish adequate procedures for accepting and processing party applications. 52

Agency Reply: Concur. See page 114.

Modify the license and drawing system to properly validate party records and district choices. 52

Agency Reply: Concur. See page 114.

Accept only completed applications prior to or on the deadline date. 53

Agency Reply: Partially concur. See page 115.

Include hunter safety certificate numbers on the license and drawing file and perform system validation checks based on birthdate. 54

Agency Reply: Concur. See page 116.

Discontinue "dubbing" in birthdates. 54

Agency Reply: Concur. See page 116.

Modify the license and drawing system to perform a validity check on application birthdates and corrected birthdates. 54

Agency Reply: Concur. See page 116.

Modify the license drawing system to reject each application submitted without a conservation license number. 55

Agency Reply: Concur. See page 116.

Modify the special licensing system to allow only one application per species into the drawings. 56

Agency Reply: Concur. See page 117.

Establish an adequate filing system within the Special Licensing Section to allow for error research and an adequate audit trail. 57

Agency Reply: Concur. See page 117.

Establish follow-up procedures for requested drawing file changes and corrections. 57

Agency Reply: Concur. See page 117.

SUMMARY OF RECOMMENDATIONS (Continued)

	Page
Modify the license and drawing system to properly reflect correction processing.	57
Agency Reply: Concur. See page 117.	
Utilize status indicators to reflect the reason for making each refund.	59
Agency Reply: Concur. See page 118.	
Comply with the Fish and Game Commission's policy on "NSF" and "no account" applications.	59
Agency Reply: Concur. See page 118.	
Modify the on-line system to provide adequate access and to display all necessary information to properly process applications.	60
Agency Reply: Concur. See page 118.	
Establish and implement adequate control procedures to properly identify qualified landowners from year to year.	61
Agency Reply: Concur. See page 118.	
Give landowner preference only to qualified applicants who have applied for preference.	61
Agency Reply: Concur. See page 119.	
Revise the license application to provide a means for non-resident landowners to use their preference privilege or change the regulation giving preference.	61
Agency Reply: Partially concur. See page 119.	
Implement balancing procedures for years' preference.	62
Agency Reply: Concur. See page 119.	
Modify the license drawing system to properly calculate years' preference.	63
Agency Reply: Concur. See page 119.	

Page

Modify the license drawing system to blank out the license returned field of an applicant's record when he is successful. 65

Agency Reply: Concur. See page 120.

Modify the license drawing system to update first year applied and the years' preference for those applicants who return their unused licenses. 65

Agency Reply: Concur. See page 120.

Comply with statutes for returned license eligibility, and discontinue accepting affidavits in lieu of returned licenses. 65

Agency Reply: Concur. See page 120.

Modify the license drawing system to update years' preference in accordance with the Fish and Game Commission's policies and regulations relating to application for unlimited sheep districts. 65

Agency Reply: Concur. See page 120.

That legislation be enacted amending Section 26-202, R.C.M. 1947, to establish like age requirements for residents and nonresidents. 66

Agency Reply: Concur. See page 121.

Modify the drawing system to produce meaningful statistical reports. 66

Agency Reply: Concur. See page 121.

Modify the license and drawing system to properly process and maintain adequate audit trails on multiple drawings. 68

Agency Reply: Concur. See page 121.

Modify the license and drawing system to accept over-the-counter license sales and to maintain adequate audit trails relating to dual applications. 68

Agency Reply: Concur. See page 121.

Page

That the Department of Administration, Computer Services Division, implement adequate controls to properly safeguard computer output. 69

Department of Administration Reply: Concur. See page 127.

That the Department of Administration, Computer Services Division, adhere to internal control procedures to assure that lost or destroyed data files will be properly restored. 69

Department of Administration Reply: Concur. See page 128.

Modify the drawing programs to allow each applicant an equal chance of selection. 71

Agency Reply: Concur. See page 122.

Work with the Department of Administration to establish procedures to ensure that drawings are conducted in accordance with regulations. 72

Agency Reply: Concur. See page 122.

Department of Administration Reply: Concur. See page 128.

Submit written requests for work to be performed by the Information Systems Division, Department of Administration. 73

Agency Reply: Concur. See page 123.

Maintain a file of correspondence between department personnel and Department of Administration personnel concerning the drawing system. 73

Agency Reply: Concur. See page 123.

Prepare written guidelines for reviewing the results of game drawings. 75

Agency Reply: Concur. See page 123.

Establish procedures to properly review application drafts, hunting maps, and the Fish and Game Commission's minutes to ensure that departmental action follows the commission's intent. 75

Agency Reply: Concur. See page 123.

Page

Establish procedures to properly inform the public of special permit changes. 75

Agency Reply: Concur. See page 124.

Establish system edits to prevent the issuance of licenses on which no name is printed. 76

Agency Reply: Concur. See page 124.

Modify the license and drawing system to allow acceptance of records with correct vital information and flag any incorrect nonvital information for department follow-up and correction. 77

Agency Reply: Concur. See page 124.

Comply with established regulations on special season drawings or change the regulations to comply with their policy. 78

Agency Reply: Concur. See page 124.

Establish and document procedures for combining duplicate records. 79

Agency Reply: Concur. See page 125.

Establish and implement procedures relating to refunds to ensure compliance with regulations. 80

Agency Reply: Concur. See page 125.

Expand the license and drawing system to capture elk tag information and issue refunds through the system for unsuccessful elk permit applicants. 80

Agency Reply: Concur. See page 125.

Establish additional coding to identify the reason for each refund. 81

Agency Reply: Concur. See page 125.

Establish controls to prevent issuing more than one refund for the same species. 82

Agency Reply: Concur. See page 126.

Page

Update the license and drawing file to properly reflect all refunds. 82

Agency Reply: Concur. See page 126.

Consider alternatives to the present system of collecting species' permit money and then refunding it. 82

Agency Reply: Concur. See page 126.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
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MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
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FINANCIAL-COMPLIANCE AND CONTRACTED AUDITS
STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of The Montana State Legislature:

We have examined the balance sheets of the Montana Department of Fish and Game as of June 30, 1977 and the related statements of operations listed as pages 84-93 in the table of contents of this report for the year then ended. Except as explained in the following two paragraphs, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Department of Fish and Game did not furnish certain management representations as required by generally accepted auditing standards.

As described on page 35 of the accompanying report, the condition of the department's accounting records relating to fixed assets and equipment was such that we were unable to perform certain auditing tests and procedures which we deemed necessary to comply with generally accepted auditing standards. Subsidiary records for land, buildings and equipment are not adequately maintained. Accordingly, a statement of general fixed assets required by generally accepted accounting principles is not included in the financial statements.

The department did not present accounts receivable amounting to $28,530 in the earmarked revenue fund and $77,588 in the federal and private revenue fund as assets in its balance sheets at June 30, 1977.

Liabilities of $123,610 representing subscription commitments for the department's Montana Outdoors magazine were not included as liabilities in the balance sheet for the earmarked revenue fund.

Accrued support expenditures are overstated in the general fund and the earmarked revenue fund balance sheets by $11,139 and $33,736, respectively. These errors occurred because the department accrued expenditures for items which were not valid obligations at June 30, 1977.

As discussed on page 11 of the accompanying report, the Department of Fish and Game improperly accrued revenue for fiscal year 1976-77. Because the department did not consistently apply accrual procedures at June 30, 1976, revenues in the federal and private revenue fund and federal and private grant clearance revenue fund statements of estimated revenue compared to actual revenue and appropriations compared to actual expenditures are overstated by $1,329,757 and $414,501 respectively for fiscal year 1976-77.

As discussed on page 3 of the accompanying report, the department's reported expenditures for fiscal year 1976-77 include prior year capital outlay expenditures and prior year expenditure adjustments. These errors overstate earmarked revenue fund expenditures by $1,401,572 and federal and private revenue fund expenditures by $2,227,745 in the statements of estimated revenue compared to actual revenues and appropriations compared to actual expenditures for these funds.

In addition, the capital outlay appropriations presented in the statements of estimated revenue compared to actual revenue and appro-

priations compared to actual expenditures for the earmarked revenue fund and federal and private revenue fund are overstated by $1,281,733 and $1,864,011, respectively, because these appropriation amounts were expended in prior years.

Revenue and expenditures are understated in the earmarked revenue fund statement of estimated revenue compared to actual revenue and appropriations compared to actual expenditures by $149,251 because the department records license sales revenue net of the associated sales commissions paid to license agents.

Expenditures are overstated in the federal and private revenue fund statement of estimated revenue compared to actual revenue and appropriations compared to actual expenditures by $1,000,000 because the department recorded fiscal year 1975-76 expenditures in fiscal year 1976-77.

The department's statements of changes in fund balances, pages 91-93, present different June 30, 1977 fund balances than the balance sheets for the general fund, earmarked revenue fund and the federal and private revenue fund. The department failed to reflect its adjustments to the financial statements in the statements of changes in fund balances.

In our opinion except for the matters discussed in paragraphs four, five and six and except for the effects of such adjustments as might have been determined to be necessary had the department furnished us the management representations as discussed in paragraph two above, the balance sheets for the general fund, earmarked revenue fund, federal and private revenue fund, federal and private grant clearance fund, the bond proceeds and insurance clearance fund, and the trust and legacy fund; the statements of estimated revenue compared to actual revenues and appropriations compared to actual expenditures; and the statements of

changes in fund balance for the general fund, bond proceeds and insurance clearance fund and the trust and legacy fund present fairly the financial position of the Department of Fish and Game as of June 30, 1977 and the results of its operations and changes in its financial position for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In our opinion, because of the effects of the matters discussed in paragraphs 7 through 12, the statements of estimated revenue compared to actual revenues and appropriations compared to actual expenditures and the statements of changes in fund balances do not present fairly, in conformity with generally accepted accounting principles, the results of the Department of Fish and Game operations or changes in its fund balances for the earmarked revenue fund, federal and private revenue fund, and the federal and private grant clearance fund for the fiscal year ended June 30, 1977.

The accompanying statement of expenditures by program and source of funds, page 94, and the detailed report on hunting, fishing, and miscellaneous license sales for fiscal year ended June 30, 1977, page 95, are not necessary for a fair presentation of the financial statements but are presented as supplemental information. This information has been subjected to the tests and other auditing procedures applied in our examination of the financial statements, and in our opinion, except as described above, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Sincerely,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

January 31, 1978

OBJECTIVE OF INTERNAL CONTROL REVIEW

We have examined the financial statements of the Montana Department of Fish and Game for the fiscal year ended June 30, 1977 and have issued our report thereon dated January 31, 1978. As a part of our examination, we made a study and evaluation of the department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can

result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the department's system of internal accounting control for the fiscal year ended June 30, 1977, that was made for the purposes set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed conditions that we believe to be material weaknesses in the internal accounting controls established by the department and the department's compliance with these controls. We discuss these weaknesses in this report.

The conditions discussed in this report were considered in determining the nature, timing, and extent of audit tests to be applied in our examination of the financial statements, and this report of such conditions does not modify our report dated January 31, 1978, on such financial statements.

COMMENTS

GENERAL

The goal of the Montana Department of Fish and Game, as stated in the 1975-77 Executive Budget, is to benefit the people of Montana and visitors with the optimum outdoor recreational opportunities; emphasizing the tangible and intangible values of wildlife and the natural and cultural resources of aesthetic, scenic, historic, and archaeological significance, in a manner:

1. Consistent with the capabilities and requirements of the resources.
2. Recognizing present and future human needs and desires.
3. Ensuring maintenance and enhancement of the quality of the environment.

The department director is charged with operating the department. The director is appointed by the Governor and confirmed by the Senate and serves a term concurrent with that of the Governor.

The Montana Fish and Game Commission sets department policies and approves fish and game seasons. The commission consists of five members appointed by the Governor with concurrence of the Senate. The appointments are made from five geographic districts established by law. Three of the commissioners are appointed to serve for terms concurrent with the gubernatorial term and until their successors are appointed and qualified. The remaining members are appointed to serve terms ending on January 1 of the third year of the succeeding gubernatorial term.

The department consists of six divisions: Centralized Services, Enforcement, Wildlife, Fisheries, Parks, and Ecological Services. To make the department's administration and operations more readily accessible

to the public, the state is divided into seven regions with headquarters in Kalispell, Missoula, Bozeman, Great Falls, Billings, Glasgow, and Miles City. Each region is directed by a regional supervisor who supervises division managers within the region and programs approved by the director. The department employs approximately 400 full time and 200 seasonal or part time employees.

The department operates under a budget funded by several sources.

Source of Revenues and Income for fiscal year 1976-77:

General Fund Appropriation	$ 487,917
Reimbursements	1,715
Earmarked Revenue Funds	
Licenses and Permits	7,178,803
Taxes	678,242
Fees	146,809
Fines	106,042
Reimbursements	21,338
Sales	141,577
Leases and Rentals	82,287
Miscellaneous	2,629
Grants and Donations	17,737
Prior Year Adjustments	9,389
Federal and Private Revenue Funds	
Licenses and Permits	35
Reimbursements	6,161
Sales	27,875
Leases and Rentals	1,720
Grants and Donations	60,743
Transfers	8,000
Federal Assistance	5,083,389
Prior Year Adjustments	42,048
Federal and Private Grant Clearance Fund	
Federal Assistance	2,104,933
Trust and Legacy Fund	
Taxes	448,826
Interest	30,756
Total Revenue	$16,688,971

The overall financial operation of the department is good. The department uses the Statewide Budgeting and Accounting System effectively as its primary accounting system. During our audit we noted weaknesses

and deficiencies in the accounting system which we discuss in the following pages of this report. The department took corrective action on many of these report issues as we brought them to the attention of department personnel during the audit.

FINANCIAL STATEMENTS

The department adjusted its Statewide Budgeting and Accounting System (SBAS) account balances at fiscal year-end 1977 to prepare its financial statements for the year ended June 30, 1977. These adjustments result in different financial activity and balances being presented in the department's financial statements than that reported in the statewide financial statements issued by the Department of Administration. This is confusing to financial statement readers, and differences should be resolved in the future.

The department's financial statements show a $3,093,000 long term liability for the Game Wardens' Retirement System that is not reflected on SBAS. This liability should be recorded on SBAS. The department's financial statements show cash in the state treasury at a balance which includes unprocessed license sale receipts held by the department at June 30, 1977 and not recorded in the state's accounting records. The department has implemented procedures to minimize cash on hand at fiscal year-end and is working with the Department of Administration to develop a method of recording cash which cannot be deposited with the State Treasurer by June 30.

The department accrued revenue in the amounts of their deferred accounts receivable for fiscal year 1976-77, causing differences between the department's financial statements and SBAS. The Department of Fish and Game should work with the Department of Administration to

automatically record the receivables subject to accrual on SBAS.

The department's financial statements present the warehouse inventory as an asset. This inventory asset should be recorded on SBAS.

The department's financial statements show expenditure totals that combined current and prior year capital expenditures. Including prior year capital outlay and prior year adjustments in the financial statements for fiscal year 1976-77 was a Department of Fish and Game error.

RECOMMENDATION

We recommend that the department record all financial activity and balances on SBAS.

UNRECORDED ACCOUNTS RECEIVABLE

The department's Centralized Services Division maintains records of accounts receivable due the department. However, these records do not disclose all of the department's receivables. This resulted in fiscal year-end 1976-77 misstatements of receivables.

We found $28,531 of unrecorded receivables from Montana Outdoors and license agents that should have been recorded as earmarked revenue fund assets. We also found that $77,588 of federal and private revenue fund receivables from federal reimbursement contracts were not properly recorded.

Many receivables from leases of the department's property to private individuals are not recorded, and no one in the department knows how much income should be collected from these leases or when the payments are due and payable. Lease payments are collected by the department's land agent, by Wildlife Division employees, by the regional supervisors, and by accounting section personnel. Although accounting

section personnel record lease revenue they receive, they have no way to determine if all lease payments are received when due.

The department should centralize the receivable and billing functions in the accounting department and establish procedures to ensure that all receivables are recorded and collected on a timely basis.

RECOMMENDATION

We recommend that the department centralize the accounts receivable function and record all receivables in the accounting records.

REVENUE

The department reported revenues and income of nearly $16,690,000 during fiscal year 1976-77, including approximately $7,200,000 in sales income from licenses and permits and $7,200,000 in federal and private grants and contracts. Approximately $2,000,000 of the federal grants and contracts passed through the department to local governments for recreation projects. Several problems in the management and accounting for the department's revenues are discussed below. Some of these same problems were discussed in the audit report for the fiscal year ended June 30, 1976. The department has not yet implemented many of the previous recommendations, and we believe that the magnitude of the problems warrant repeating the recommendations in this report.

Internal Control and Security

There are several areas of weak internal control which jeopardize the security of the department's cash receipts.

The cashier opens mail, prepares and approves collection reports, and prepares and delivers treasury deposits. These functions are not compatible in a system with strong internal controls. The department

can improve its control over cash receipts by separating these functions among employees.

The department receives large volumes of revenue near its fiscal year-end in connection with its special license drawings. This revenue is in the form of checks and currency. Because of the volume, the department cannot process the receipts on a timely basis. The money is stored in a locked room and a filing cabinet during the license processing period. The keys to both the room and the cabinet are kept in unlocked desks near the cash. It would be possible for someone to abscond with large amounts of checks and cash. Compounding this weakness is the fact that the checks are not restrictively endorsed when received as required by Montana Operations Manual, Section 2-1210.21. The time lag for processing is often 2 or 3 days.

Because of the large amount of cash involved and the time period during which it is processed, it is imperative that cash controls be strengthened immediately.

RECOMMENDATION

We recommend that the department:

1. *Separate the mail opening, cashiering, and document approval functions for cash receipts.*
2. *Restrictively endorse all checks as the mail is opened.*
3. *Safeguard all cash receipts in the custody of the cashier.*

License Receipts

Controls in the Special Licensing Section are inadequate to properly process license application receipts. Cash remains attached to applications until the application is processed by the Special Licensing Section. Application receipts include currency, personal checks, and

money orders. Because the department does not restrictively endorse checks, both currency items and checks are subject to loss.

During the end of June and first of July, unprocessed applications and cash build up resulted in an undetermined amount of unrecorded cash being held by the department. Leaving cash attached to the applications delays deposits and increases the risk of loss. The Special Licensing Section should separate the cash from applications before those applications are processed. A validator could be used to count and record the dollar amount received with each application. This method could be used to establish batch control totals to ensure that all applications are processed. Collections and deposits should be recorded on a daily basis in accordance with Montana Operations Manual, Section 2-1220.

RECOMMENDATION

We recommend that the department:

1. *Separate all cash items from license applications before those applications are processed.*
2. *Investigate the use of a validator to count and record the dollar amount accompanying applications.*

Cash Processing

The department receives large volumes of mail. Much of the mail contains checks, cash, and other forms of remittances. Currently the mail clerk sorts and distributes all mail to the department division to which it is addressed. Each division then opens and processes its own mail. Because of this, there is an extensive subdivision of cash handling, and there are delays in cash deposits.

Generally, internal controls over cash are strongest when the fewest people possible have actual contact with the cash. The department

should centralize the mail opening function. When the mail is opened, monetary items should be removed and taken directly to the cashier. A notice of remittance could then be inserted in place of the cash and the mail could be routed in the normal manner. Operating in this manner would significantly improve the control over receipts.

During our review we found evidence of checks being made out to department personnel. In order to establish control over receipts, all checks should be made out to the department. Accomplishment of this objective would be furthered if the department requested on its bills that checks be made payable to the Department of Fish and Game only.

We found recorded lease and federal receipts which could not be traced to a source. If the source of revenue cannot be determined, then it is not possible to determine if the correct amount was collected or if correct procedures were used in its collection. Documentation of the source can be accomplished by copies of checks or written explanations. This documentation should be filed with collection reports.

RECOMMENDATION

We recommend that the department:

1. *Establish a centralized mail opening function to separate cash items and send them directly to the cashier.*
2. *Request all checks be made payable to the Montana Department of Fish and Game.*
3. *Provide an audit trail of all collections by source of funds and include this documentation with collection reports.*

Accounting

The department does not record certain types of transactions in the proper manner, resulting in understatements of both revenue and expenditures.

The majority of Montana hunting and fishing licenses are sold through privately owned outlets. License agents submit license sales moneys minus commissions to the department on a monthly basis. The agents receive a 15 cent commission for each license they sell. The accounting for these receipts is not correct because the department records only the net receipt as revenue. The 15 cent commission is not declared as revenue or expense.

We determined commissions to be approximately $149,250 for fiscal year 1976-77. Gross sales should be recorded as revenue, and commission expense should be recorded at the time the license sale proceeds are received.

The department, for various reasons, makes numerous refunds. The accounting for these transactions is not handled in a consistent manner. The proper method to record these transactions is to debit revenue refunds and credit cash. We found that in several cases the department abated revenue by debiting revenue and crediting cash. The department should consistently use the revenue refund account to record refunds, thereby facilitating the reporting of total revenues processed and refunded.

The department hires certain personnel through the CETA program. Under this program the federal government absorbs a portion of the employees wages. Periodically the department bills the State Department of Labor and Industry, Employment Security Division, for the wages.

When the reimbursement is received, it is recorded as an expenditure abatement. The effect of this transaction is to increase cash and decrease expenditures. The reimbursement should be recorded as income when received. By recording the reimbursements as abatements, the department's records do not disclose the true amount of expenditures for operation of the department's programs. We determined the amount of CETA income recorded as expenditure abatements to be $24,169 during fiscal year 1976-77.

State law requires the department to use bank depositories approved by the State Treasurer. When regional offices make deposits, they send deposit tickets and remittance advices to the central office so that the deposits can be recorded in the department's accounting records. We found delays in sending these deposit tickets to the central office. These delays caused $36,497 of revenue earned and received in May and June of 1977 to be recorded in fiscal year 1977-78. Evidence of bank deposits should be submitted to the department's central office on a timely basis.

RECOMMENDATION

We recommend that the department:

1. *Record gross license revenues and the associated commission expense.*
2. *Record all revenue refunds as refunds rather than revenue abatements.*
3. *Record CETA employees' salaries as income instead of expenditure abatements.*
4. *Require regional offices to remit deposit tickets and remittance advices in a timely manner.*

Accrual of Revenue

The department adjusted its fiscal-year end 1976-77 financial statements to reflect all deferred accounts receivable as revenue during the year. The audit guide, Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants, states in part, that if expenditure of funds is the prime factor for determining eligibility for grant funds, revenue should be recognized at the time of making the expenditure.

Also, Governmental Accounting, Auditing, and Financial Reporting (GAAFR), published by the National Committee on Governmental Accounting, states in part, that the modified accrual basis of accounting is that method of accounting where revenues are recorded when received in cash, except for material or available revenues which should be accrued to reflect revenues earned. GAAFR further states that revenue sources which can and should be recorded on the accrual basis include grants from other governments.

Montana Operations Manual, Section 2-0240.40, states that full accrual accounting will be permitted if the need justifies the application; however, the section does not define the conditions when full accrual accounting will be used by state agencies.

We discussed this matter with Department of Administration officials who stated that accrual of grant revenue is being actively addressed on the national level, and that at the present time accrual of revenue is optional for state agencies.

The department accrued receivables from federal agencies for the reimbursement of expenditures which were subject to accrual under generally accepted accounting principles; however, the department also

accrued receivables from license agents, magazine subscribers, and dishonored checks which were not properly subject to accrual. This resulted in revenue misstatements in the department's financial statements.

Revenue is also misstated because beginning of the year accounts receivable had not been accrued and the department made no adjustments to compensate for this.

The department's financial statements overstate fiscal year 1976-77 revenue by $1,329,757 in the Federal and Private Revenue Fund, and $414,501 in the Federal and Private Grant Clearance Fund because revenue accrual procedures were neither correctly nor consistently applied.

RECOMMENDATION

We recommend that the department accrue revenue in accordance with generally accepted accounting principles and apply those principles consistently.

EXPENDITURES

Accruals

A claims clerk for the department reviews unfilled purchase orders at year-end and establishes accruals for certain ones. We found several purchase orders which were improperly accrued. Management Memo 2-77-5 states that supplies, materials, and services should be charged against the year they are received. Nearly $49,000 of unfilled purchase orders for these items were accrued to fiscal year 1976-77. This causes accrued expenditures as disclosed on the financial statements to be overstated by the same amount.

We found that a purchase order was established on June 16, 1977 for consumable materials. The Montana Operations Manual, Section 2-1420.34

states that "No Purchase Order will be issued against a current year appropriation after June 1, unless delivery of the subject items can definitely be made and the goods consumed prior to June 30th of the subject fiscal year." The ordered items were not received and consumed by year-end.

RECOMMENDATION

We recommend that the department:

1. *Accrue only those purchase orders which meet accrual guidelines.*
2. *Establish purchase orders after June 1, only when the goods can be received and consumed by fiscal year-end.*

Moving Expenses

During our review of 1976-77 records we found two instances where retiring employees were paid moving expenses. In 36 Opinions of the Attorney General, Number 9, the Attorney General held that the state may not pay moving expenses of retiring employees unless such expenses were specifically contracted to be paid at the time the employee was hired. The department's Personnel Manual, item 1-9-3, states "The department will pay commercial moving expenses of retiring employees provided the move is to another point within the state and within 90 days of retirement." The weight and expense allowance must comply with the current department's policy. The policy applies only to employees with a minimum of 10 years' service with the department. Widows of personnel who have died while in the employ of the department will be given the same moving expense. In 1971, in 34 Opinions of the Attorney General, Number 29, the Attorney General held that public employees are not entitled to severance pay upon termination of employment. The rationale

of this opinion was based upon the fact that a public agency or board has the power to do only that which is expressly authorized by law. Since there is no specific authorization for the payment of severance pay, the Attorney General ruled that it was not permissible.

Because there is no specific authority for the payment of moving expenses for retiring employees the department should either seek such authority or rescind the policy. Since there may be a commitment to pay current employees, the policy change may be applicable only to future employees.

RECOMMENDATION

We recommend that the department discontinue the policy of paying moving expenses for retired personnel or seek statutory authority for this policy.

Retained Attorneys

During the audit year the department engaged four law firms to represent the department in different matters. The department indicated that this was necessary to obtain expertise in certain technical areas of law.

The department paid a Helena lawyer $1,200 per month for a year plus $35 per hour for non-litigation services requiring more than 25 hours within a month and $35 an hour for all litigation services. This lawyer received a total of $45,600 applicable to fiscal year 1976-77.

Since the department employs a full-time attorney, it should not be necessary to retain an attorney on a full-time basis. Instead, attorneys should be retained only when necessary to obtain expertise in certain areas of the law. Based on the amount of these payments, the department should develop additional expertise in full-time staff. We recognize

that in certain instances it is desirable to retain outside counsel to assist in special legal problems which are not likely to recur. However, the department should develop a legal staff to meet its recurring needs.

RECOMMENDATION

We recommend that the department:

1. *Retain outside legal counsel only to obtain specific expertise not available within the department's staff.*
2. *Develop expertise in its legal staff to meet recurring departmental needs.*

Travel

Employees working on Montana Outdoors are required to do a certain amount of travel in the Helena vicinity. At the end of each month one employee submits a travel voucher for the mileage of all employees. The employee receiving the payment then reimburses the other employees for their shares of the payment. This appears to be an efficient method of handling small travel claims; however, it is not in accordance with state travel regulations. These regulations require that each employee submit a travel claim for his expenses.

The department has not established procedures to assure proper field review of travel claims. We found instances where employees received payments in excess of those allowed by state regulations. We also found instances of employees receiving travel reimbursement for days on which they did not work. These errors appear to be the result of unintentional mistakes made by the employees in filling out their travel claims. The errors should be located and corrected before the claim is paid.

RECOMMENDATION

We recommend that the department:

1. *Require each employee to submit a separate travel expense voucher.*
2. *Establish proper field review procedures for all travel claims.*

Regional Purchase Orders

Each region has department purchase orders which are used to make local purchases. The current practice allows any full-time employee to make local purchases. At the time of the purchase the vendor keeps the purchase order and mails it with an invoice to the Helena office. The employee making the purchase then submits a copy of the purchase order to his supervisor for approval. This system appears to be working; however, we noted the following weakness in it.

The central office in Helena does not have a list of authorized signatures to compare to the completed purchase orders. The central office also has no way of knowing that copies of the purchase orders are being approved by the purchaser's supervisor.

We discussed the purchase order system with each of the seven regional coordinators and found that three of the seven require the invoices and purchase orders to be approved by them before being sent to Helena. The other four allow the vendor to send the purchase orders directly to Helena. The reasoning for having the vendor submit the purchase order and invoice to Helena is so the vendors can be paid on a more timely basis.

Both methods accomplish the objective, that being to pay the vendors; however, because the field purchase orders are negotiable cash

items, the department should establish policies and procedures for purchase order authorization that require supervisory approval for all field purchases over a specified dollar amount. The department should also review completed purchase order books on a test basis to ensure that all purchases are approved by supervisors.

RECOMMENDATION

We recommend that the department:

1. *Establish policies and procedures to ensure all field purchases over a specified dollar amount are approved by supervisors.*
2. *Review completed purchase order books to ensure that all purchases are approved by supervisors.*

Employee Dues

During the 1976-77 fiscal year, the department expended $2,026.91 for membership dues in professional and civic organizations. Section 15, House Bill 145, passed by the 45th Legislative Assembly, effective July 1, 1977, prohibits expending appropriated moneys for the purpose of membership in professional or private organizations.

The department has indicated that each employee must now pay his own membership dues. We noted no cases after the effective date of the bill where the department paid employees' membership dues.

Unbilled Reimbursable Expenditures

The department periodically bills the federal government for reimbursable costs associated with grants from the U.S. Fish and Wildlife Service. One hundred dollars is held back from the second to the last billing to avoid having large dollar amounts tied up in processing the final billing at the U.S. Fish and Wildlife Service. Our audit

disclosed five projects where the $100 was never submitted for reimbursement because the second to the last billing was designated as the final billing through correspondence with the U.S. Fish and Wildlife Service. Therefore, $500 of reimbursable expenditures were never submitted for reimbursement to the U.S. Fish and Wildlife Service. This indicates that the department is not properly reviewing project billings to determine if all allowable costs are submitted for reimbursement. This resulted in no loss of federal money to the state since the allocation of federal moneys was carried forward to subsequent projects.

RECOMMENDATION

We recommend that the department review all project reimbursable costs before projects are finalized to ensure that all costs allowable for reimbursement have been submitted to the U.S. Fish and Wildlife Service.

Indirect Costs

The department is allowed to charge indirect costs on administration of federal grant programs through an indirect cost negotiation agreement approved by the Department of Health, Education, and Welfare, in collaboration with other federal agencies concerned. Our audit disclosed that the department is not consistently negotiating indirect cost agreements for federal grant programs. Therefore, the department is not charging indirect costs through an approved indirect cost negotiation agreement for all federal grant programs.

Indirect cost rates are designed to reimburse the department for the costs of administering the various projects funded under federal grant programs. Although the department spends all of the federal apportionments, the actual costs of those projects are not reflected in

the department's project expenditure reports due to the department's failure to allocate indirect costs.

RECOMMENDATION

We recommend that the department:

1. *Obtain indirect cost negotiation agreements for all federal grant programs.*
2. *Allocate indirect costs per indirect cost negotiation agreements on all projects to record total costs associated with each project.*

Expenditure Authority

Section 26-123, R.C.M. 1947, requires that all claims, salaries, and expenses be paid out of the earmarked revenue fund. The department is not currently, nor can it, comply with this statute. The department is funded under appropriations from both the department's earmarked funds and other funds. Under the wording of this statute, the department cannot legally pay claims out of the federal and private revenue fund or general fund even though these funds make up large portions of the department's funding.

RECOMMENDATION

We recommend that legislation be enacted amending Section 26-123, R.C.M. 1947, to allow expenditures from all department funds.

PERSONAL SERVICES

During fiscal year 1976-77, the department reported expenditures of $6,507,926 for personal services consisting of $5,671,283 for wages and $836,643 for employee benefits. Because personal services expenditures comprise such a significant portion of the department's expenditures, the department needs well-developed personnel and payroll procedures.

In our examination we noted the personnel and payroll weaknesses discussed below.

Internal Controls

Payroll internal control procedures currently in effect at the Department of Fish and Game are inadequate. The payroll supervisor performs incompatible functions, which provides the opportunity for unauthorized and incorrect adjustments to the biweekly payroll and misappropriation of payroll warrants. During our audit the payroll supervisor prepared the pre-payroll and the payroll status forms. The Centralized Services Division administrator reviewed and signed the pre-payroll form and returned it to the payroll supervisor. To adequately control payroll transactions the administrator should review and sign the pre-payroll and payroll status forms. Once these documents are reviewed and signed they should be sent directly to the State Auditor's Office, Central Payroll Division, without returning them to the payroll clerk.

After warrants are processed by the State Auditor's Office, the mailroom clerk picks up the warrants and delivers them to the payroll supervisor. The payroll supervisor distributes warrants to local employees and mails warrants to employees located outside of Helena. In order to provide adequate control over payroll warrants and payroll expenditures, the payroll supervisor should not receive the payroll warrants.

Neither the Helena office nor the regional offices receive listings by individuals of warrants or payroll expenditures charged to them. Each program administrator should receive a listing of payroll transactions charged to his program. This would assure that payroll expense is

properly allocated to programs and would provide an additional check on payroll expenditures. The central payroll system would have to be modified to provide this management information.

RECOMMENDATION

We recommend that the department:

1. *Deliver pre-payrolls and payroll status forms directly to the Central Payroll Division of the State Auditor's Office after the forms are approved.*
2. *Provide for distribution of payroll warrants by someone other than the payroll supervisor.*
3. *Work with the State Auditor to develop payroll system modifications to provide division administrators and regional supervisors with a listing of the payroll transactions charged to their divisions or regions.*

Status Changes

The department has developed a payroll authorization form which is used to adjust the status of personnel. This form is signed by either the deputy director or regional coordinators when personnel are hired, terminated, or have a pay change. However, this form is not acceptable for updating the Central Payroll Division's files. The payroll supervisor prepares a Central Payroll Division payroll status form from the information on the payroll authorization form. The payroll status form is not approved by anyone other than the payroll supervisor and is not signed by the employee. When an employee's status is adjusted, the information should be recorded on a payroll status form, signed by the employee, approved by an appropriate department official, and then sent directly to the Central Payroll Division. The department should request

that the Central Payroll Division accept only payroll status forms signed by an appropriate department official.

RECOMMENDATION

We recommend that the department provide for signing of payroll status forms by employees and appropriate administrators.

Time Records

Every full-time department employee prepares a monthly time distribution report to record hours worked by project. Temporary employees complete the form on a biweekly basis. The reports are often prepared and signed by employees in pencil. Each employee gives his report to his supervisor who reviews, signs, and sends the report to the department's central office payroll section. The central office payroll section reviews the time report and uses it as the basis for accounting distributions of payroll expense to various projects.

During our review of payroll transactions it appeared that changes had been made on these reports after they reached the central office. Since the reports are often prepared in pencil, it is not always evident who made the changes. If they were prepared in ink a permanent record would be created.

Because of the number of employees at the department, some errors can be expected in time records; however, errors should be corrected through field reviews before time sheets are sent to the central office. Project and field supervisors review the time records before they are forwarded to the payroll section. These supervisors should know the projects their employees are working on. Payroll section employees are not necessarily in a position to know where an employee has worked. The department should inform supervisors that correct time records are their

responsibility and that the time records should not be approved until they are accurately completed. Since time records are the basis for charging a significant percentage of expenditures to each program, the payroll section should not adjust time records unless the reasons for the adjustments are adequately documented.

RECOMMENDATION

We recommend that the department require that:

1. *Time records be completed in ink.*
2. *Supervisors properly review and approve all time records.*
3. *The payroll supervisor obtain authorization for all adjustments to time reports and document the authority for all adjustments.*

EMPLOYEE LEAVE

Our review of employee leave records revealed several problems. We noted several instances where request for leave of absence forms were improperly completed. Generally, they were not properly dated and several lacked supervisory approvals.

Two employees were allowed to take compensatory time off when they did not have a compensatory time balance. No employee should be allowed to have negative leave balances.

RECOMMENDATION

We recommend that the department:

1. *Require employees to fill out request for leave forms accurately and completely.*
2. *Allow employees to take compensatory time off only when they have compensatory time balances.*

INVENTORIES

The department maintains a central warehouse in Helena. The warehouse purchases and recharges equipment and supplies that are used by department personnel. On June 30, 1977, warehouse inventory had a cost value of over $241,000.

Inventory is accounted for in the Warehouse Inventory System (WIS). The WIS produces various computer printouts concerning inventory transactions. These include the number of each item on hand, the average cost of each item, receipts and sales of each item, and reordering information. This system is a subsidiary to SBAS rather than a duplicate system. The activity reported in detail in this system is reported in summary in SBAS.

The department does not maintain general ledger control over warehouse inventory. The inventory is not recorded as an asset; rather, all purchases are expensed, and these expenses are abated when the inventory is distributed to user projects. SBAS is not used to report the inventory balance; the department only uses it to report the purchases and sales. The warehouse operation should be accounted for in a revolving fund.

Because sales and purchase transactions are recorded on both WIS (in detail) and SBAS (in summary), the two systems should disclose the same amounts. Receipts as shown in WIS are $159,509. In SBAS they are $140,689. Sales per WIS are $160,353, while SBAS indicates $153,118. During our audit the warehouse accountant was able to identify posting errors and reconcile sales differences within $3; however, the accountant was not able to reconcile differences amounting to over $3,800 for receipts. The fact that the two systems do not reconcile indicates

posting errors have occurred in one or both systems without detection or correction. The department can prevent these discrepancies by reconciling the WIS with SBAS on a monthly basis. This would serve as a cross-check to locate errors made and is a customary procedure used in operating subsidiary accounting systems.

During our review of the warehouse operations we noted several areas of weak internal controls. The WIS system does not provide the necessary information for management to review warehouse adjustments. The system should produce a warehouse adjustment report on a monthly basis. The report would identify the corrections of errors and adjustments for overages and shortages for management review and approval. Currently the warehouse accountant can adjust recorded inventory on hand without management approvals. All accounting entries other than routine sales and purchases should be approved by management personnel.

The warehouse foreman is responsible for physical accountability of the inventory. He also receives the inventory, completes the receiving reports, and approves the invoices. Controls are weakened when these duties are not segregated. After the goods have been received the foreman should forward the receiving report to the accounting division. All suppliers should be instructed to mail invoices directly to accounting and not the warehouse. If the receiving report and invoice agree, accounting personnel should then process the claim.

The warehouse closes its operations during the last week in June to take the annual inventory. The actual counts are taken by warehouse employees. The count is also supervised by warehouse personnel. The counts should be supervised by employees independent of warehouse

operations, and test counts should also be made by non-warehouse employees.

During our review of warehouse operations we spoke to several employees concerning the efficiency and need for the warehouse. There appears to be a variation in ideas about the operation. Many employees believe it is a valuable tool while others believe it is wasted overhead and that local purchasing would be more cost effective. We did not direct our review to determine the cost effectiveness of the operations; however, because of the variation in thoughts concerning the warehouse, the department should perform a cost study of warehouse operations.

RECOMMENDATION

We recommend that the department:

1. *Establish and maintain general ledger control over warehouse inventory.*
2. *Reconcile purchases and sales per WIS with SBAS.*
3. *Produce a report disclosing all adjustments to the warehouse inventory.*
4. *Require management approval for warehouse adjustments.*
5. *Segregate the duties of receiving inventory and authorizing payments for purchases.*
6. *Have nonwarehouse personnel conduct the annual inventory.*
7. *Review and evaluate the effectiveness and need for the warehouse.*

VEHICLES

The department maintains its own motor pool. Pickups and sedans comprise the greatest portion of the pool. Section 53-514, R.C.M. 1947, specifies that the Department of Highways, Motor Pool Division, is the

custodian of all motor vehicles operated out of the Helena area which are used primarily to carry passengers or have a cargo rating of three-quarters ton or less and which do not carry specialized equipment that would render them unfit for interagency use. The department justifies an exemption from Section 53-514, R.C.M. 1947, on the basis that its vehicles are equipped with specialized equipment and most of them are not operated out of Helena. We found no vehicles that did not meet the criteria for exemption from Section 53-514, R.C.M. 1947.

Accounting for the pool is done in the vehicle account which is used to record expenditures and incomes associated with the vehicles. All costs of vehicles are expensed when incurred, including purchases of new vehicles, operating maintenance, and overhead costs.

The department reallocates vehicle charges to user projects on a per mile basis. These charges are recorded as expenditures to the user projects and expenditure abatements in the vehicle account. Expenditure abatements are not properly matched with the expenditures associated with the abatements. The problem results because the vehicles are expensed when purchased and all unallocated expenditure balances are closed out at each fiscal year-end. When a vehicle is expensed, that is essentially the end of accounting for the purchase.

Expenditures are still allocated to projects after the year of purchase, and these expenditures should be matched with the vehicle expenditures incurred through purchase. A portion of the vehicle cost should be allocated to each year it is used rather than expensing the vehicle in the year of purchase. This problem could be solved if the vehicles were accounted for in a revolving fund.

A revolving fund serves to classify, through use of specific accounts within the fund, financial activities relating to enterprise activity on reimbursable-type governmental operations. The department established such a fund in July 1976, but has not used it. The account name is "equipment enterprise fund revolving account," and its intended purpose is to establish all motorized equipment on a self-financing rental basis to more clearly reflect the cost of operations. The department should account for vehicles in this fund.

The rate charged to user projects includes an allowance for depreciation and a replacement differential. The depreciation rate is based upon 75 percent of the original cost of the vehicle. The 75 percent is used because the department estimated that 25 percent of the original cost would be returned in salvage value. We reviewed trade-ins made in December 1976 and April 1977 and found that the average percent of trade-in to cost was over 54 percent. This indicates that the depreciation rate used by the department is excessively high.

The replacement differential charge rate is related to the depreciation rate. The theory behind the replacement differential is to recover sufficient money to purchase a new vehicle which, through inflation, will have a higher cost than the vehicle being replaced. The United States Department of the Interior, Bureau of Outdoor Recreation Manual, states that charges for contingency reserves or other similar reserves are non-allowable expenditures for reimbursement and shall not be included in the base for determining financial assistance. The replacement differential is a contingency reserve.

We reviewed the records for 19 vehicles which were traded during December 1976. This review disclosed that the vehicle account is overcharging user projects. An example will explain this problem.

Vehicle number 2131, a 1973 four-wheel drive vehicle, was traded during the year. The vehicle cost $3,732.25 at the time of purchase. Through depreciation, replacement differential, and trade-in value the department recovered $8,008.88 on the original purchase price for a profit of $4,276.63.

Depreciation Charges	$2,799.19
Replacement Differential Charges	3,109.69
Trade-in received	2,100.00
Total Cost Recovered	8,008.88
Original Cost	3,732.25
Profit	$4,276.63

The average profit on 19 of the vehicles traded during December 1976 was $2,321.11. This difference is extreme. The department should adjust charges to a level that only recovers costs.

The department maintains an accounting system for vehicles which generates numerous statistical reports. One report lists vehicles with exception conditions. Exception conditions include vehicles that have not had preventive maintenance checks within the last 3,000 miles, vehicles driven less than 50 miles in the month, and vehicles with gas mileage of less than 10 miles per gallon. This report is distributed to appropriate personnel so that corrective action can be taken if necessary.

Another report lists the income and expense for each vehicle. The expense portion of the report shows items such as gallons of fuel purchased, cost of the fuel purchased, cost of oil, and other expenses incurred in connection with the vehicle. The income portion of the

report shows the mileage driven for the month, the rate of charge, and the amount charged to user projects. The report then shows the net of income and expense for the month. The system generates other reports which disclose the statistical information in various other formats. The accounting system appears to present useable information in useable formats.

The department, however, does not use the vehicle system to its fullest extent. Items such as motorcycles, snowmobiles, and excess federal property are not included in the system. The reasoning for this is that these items are charged directly to the user project when purchased and are not in the motor pool. The system could be used to provide statistical information on these vehicles and would also provide an accounting for the projects using these vehicles. The department should consider including all motorized equipment in the motor pool and accounting for it in the vehicles system.

Each month vehicle users submit a report to the accounting department disclosing the number of miles driven and the programs which are to be charged. We found mathematical errors in these reports that caused programs to be charged incorrect amounts. The accounting department should review all reports for mathematical accuracy when they are received.

The accounting department does not have a method to determine that reports are submitted for all vehicles. It is important that these reports be submitted on a timely basis, especially at year-end. We found $1,854 that was charged to the wrong fiscal year because of late submission of these reports.

The department owns and is the custodian for six aircraft. Section 1-1101, R.C.M. 1947, specifies that the Department of Community Affairs is to be the custodian of all aircraft owned by state agencies. The Department of Fish and Game has not complied with this statute.

RECOMMENDATION

We recommend that the department:

1. *Account for vehicles in a revolving fund.*
2. *Adjust depreciation and replacement differential charges to allow only for cost recovery.*
3. *Consider accounting for all vehicles in the vehicle accounting system.*
4. *Review vehicle reports for mathematical accuracy.*
5. *Develop a system to ensure that vehicle reports are submitted on a timely basis.*

MONTANA OUTDOORS

Montana Outdoors is published six times a year by the department's Environment and Information Division. The magazine is funded through magazine sales and earmarked revenues. The following schedule discloses expenditures and revenues for the magazine.

MONTANA OUTDOORS
Schedule of Revenue Compared to Expenditures
For the year ended June 30, 1977

REVENUES:	
Subscriptions	$ 91,780
Newstands	8,579
Other	862
Total Revenues	101,221
EXPENDITURES:	
Personal Services	$ 58,721
Operations	169,288
Total Expenditures	228,009
EXPENDITURES IN EXCESS OF REVENUES	$126,788

We have discovered various problems in the magazine's accounting and operations which we discuss below.

Cash Basis of Accounting

The department recognizes revenue from Montana Outdoors when cash is received. This method is not proper because subscriptions can be for one, two, or three years. Only that cash applicable to magazines which will be published in the current year should be recognized as revenue in the current year. For example, on a two-year subscription, one twelfth of the subscription price should be allocated to each issue. Revenue as disclosed in SBAS is $107,038. This is $5,817 different from the $101,221 which we computed on the accrual basis. While this is not a material amount, if sales were to fluctuate significantly, then the misstatement could become material.

RECOMMENDATION

We recommend that the department recognize Montana Outdoors revenue using the accrual basis of accounting.

Subscription Obligations

Montana Outdoors has a liability to fulfill subscription sales until 1998. The total liability for unfulfilled subscriptions was $123,600 at June 30, 1977. Generally accepted accounting principles require this amount to be disclosed as "unearned revenue" on the department's balance sheet. The department's financial statements do not disclose this liability.

RECOMMENDATION

We recommend that the department disclose "unearned revenue" as a liability in the financial statements.

Subscriptions

The department employs a subscription fulfillment service to handle its magazine subscriptions. The service opens the mail, prepares receipts, accounts for subscriptions, prepares the mailing labels, and provides the department with various reports detailing the magazine's operations.

The department paid the service more than $31,500 during fiscal year 1976-77. This amount was based on billings from the service. We found that no one in the department could determine the correctness of the billings. The editor of the magazine approves each billing before it is paid; however, the editor does not have the information necessary to determine if the billing is correct.

RECOMMENDATION

We recommend that the department implement procedures to accurately assess billings from the subscription service.

Newsstand Sales

Our review of magazine sales through newsstands revealed numerous problems. The problems generally involve lack of proper segregation of duties and lack of records.

The circulation director controls all aspects of newsstand sales. He initiates all sales to newsstand dealers, performs the billing functions, collects the receipts, and keeps the accounting records. The possibility for unauthorized transactions is augmented when one person is responsible for both physical control and accounting functions.

We found the records maintained for newsstand sales inadequate. The department does not maintain permanent records of the number of magazines mailed to newsstands, the number of unsold magazines returned,

or the amount owed the department. We found letters from newsstand dealers complaining of improper billings from the magazine. The department's records are such that we could not determine the amount of accounts receivable due the department.

There are several problems in the billing function. Newsstands are billed approximately twice a year, while magazines are issued on a bimonthly basis. Billings should be sent for each issue.

Newsstand dealers do not pay for each issue when received. When a bill is sent to a dealer, the dealer adjusts the bill for any issues he has on hand. At a later date, when the dealer has determined that further sales cannot be made, a payment and the unsold copies are returned to Montana Outdoors. Good business practices require that when goods are shipped, a bill will also be sent requesting full payment. Credit should be granted for unsold magazines only when they are returned to Montana Outdoors.

Payments from newsstand sales are returned to the circulation director. The circulation director then forwards the payment to Downes Computer Service, the subscription service for Montana Outdoors. Downes then forwards the payment to the state treasury. We see no reason for the payments to be sent to the subscription service as it maintains no records of newsstand sales. The circulation director should not handle the payments. Payments should be mailed from the dealer to the department cashier for immediate deposit in the state treasury.

RECOMMENDATION

We recommend that the department:

1. *Separate the duties for newsstand sales to achieve strong internal control.*

2. *Maintain detailed records for each newsstand dealer.*

3. *Bill newsstand dealers for each issue.*

4. *Only allow credit for unsold issues after the magazines are returned.*

5. *Require that all payments be made to the department cashier and deposited directly with the state treasury.*

Print Run Reconciliation

The department does not account for its press run. The total press run for each issue should be reconciled to subscription sales, newsstand sales, and other uses. The magazines have a monetary value and thus should be accounted for to prevent unauthorized distribution.

The department should establish policies and procedures for approving promotional and other free distributions of the magazine. The circulation director mailed 500 issues to a newsstand but only billed the dealer for 250 copies. He explained this was a promotional idea to increase sales. We believe such promotion should be approved by the department director.

RECOMMENDATION

We recommend that the department:

1. *Reconcile the total print run for each issue to magazine usage.*

2. *Require proper approval for promotion and other free distributions.*

PLANT, PROPERTY AND EQUIPMENT

The department's financial statements do not disclose balances for fixed assets. Governmental reporting standards require a statement of general fixed assets and a statement of changes in general fixed assets.

These statements cannot be prepared from the department's records. Because of this omission, the statements do not provide required disclosure.

The department is in the process of developing an accounting system for fixed assets. An employee has been assigned the position of property officer and implementation of the system appears to be progressing satisfactorily.

The land agent for the department maintains a listing of lands controlled by the Fish and Game Commission. The cost of each parcel is also listed; however, no value is assigned to donated properties and related acquisition costs are not shown. The accounting department does not maintain land records. The accounting department should develop a schedule for all lands owned with cost figures. In the case of gifts or donations the land should be valued at fair market value on the date title passes. The department should also reflect the cost of buildings and other improvements constructed on its land to show actual investment in the various properties.

RECOMMENDATION

We recommend that the department develop a complete listing of all land owned, including cost.

Fiscal Year 1976-77 Land Purchases

The department purchased the following parcels of land during our audit year.

DEPARTMENT OF FISH AND GAME
LAND ACQUISITIONS AND EXCHANGES
DURING FISCAL YEAR 1976-77

	Date	Appraised Value	Donated Property	Cost to Department
Carter's Bridge-Yellowstone River	5/6/77	No Appraisal		$ 9,500
Kakonee Bend-Flathead River	9/7/77	$ 35,332		35,325
Pipe Organ-Beaverhead River	6/14/77	199,000		245,000*
Forest Grove-Clark Fork River	4/27/77	25,000		25,000
Patty Creek-Clark Fork River	6/15/77	No Appraisal		4,200
Gallatin Forks-Gallatin River	8/5/76	97,075		97,647
Droulliard-Jefferson River	1/28/77	22,287		22,287
Boulder Forks-Boulder River	8/11/76	121,500		140,000*
Sluice Boxes State Mon.	9/10/76	No Appraisal		352
Mount Haggin	7/19/76	3,250,000	$1,000,000	1,900,000**
Ear Mountain	8/31/76	235,000		257,300*
Roy Herseth Property	12/21/76	20,000		20,000
Spokane Mines Property	1/24/77	18,000		17,890**
Sudberry Property	7/23,76	3,500		3,500
Giant Springs State Park	1/31/77	102,840		74,340
Exchanged Property				28,500
Cobblestone FAS	8/9/76	147,500		140,318**
				$3,021,159

*The department sometimes pays more than appraised value for land parcels because federal regulations require the department to offer the owner the appraised value and pay relocation expenses.

**Landowners sometimes accept less than the appraised value of their land as a sale price.

In Lieu of Taxes

The department owns land in 32 counties throughout Montana. These counties send tax statements to the department for local taxes assessed on department land. Section 26-133, R.C.M. 1947, requires the department to pay a sum equal to the amount of taxes which would be payable on county assessment of the property if it were taxable to a private citizen.

This statute prohibits in lieu of tax payments to counties in which the department owns less than 100 acres, or for lands owned by the department for game bird farm or fish hatchery purposes or lands administered with general fund money.

During fiscal year 1976-77 the department made payments to counties in lieu of taxes of $81,400. The following is a list of in lieu of tax payments to counties during fiscal year 1976-77:

County	Amount Paid	County	Amount Paid
Beaverhead	$ 2,989	Madison	$ 2,009
Big Horn	531	Meagher	465
Carbon	40	Missoula	3,045
Cascade	2,900	Park	1
Choteau	39	Phillips	119
Deer Lodge	12,223	Powell	2,265
Fallon	44	Ravalli	3,676
Flathead	4,043	Richland	3,299
Gallatin	1,888	Silver Bow	3,103
Granite	303	Stillwater	84
Hill	590	Sweetgrass	244
Jefferson	328	Teton	9,912
Judith Basin	1,268	Treasure	864
Lake	12,829	Valley	476
Lewis and Clark	11,122	Wheatland	343
Lincoln	13	Yellowstone	345
			$81,400

GAME WARDENS' RETIREMENT SYSTEM

Department employees who are assigned to law enforcement duties are members of the Game Wardens' Retirement System. This retirement system was established in 1963 under Title 68, Chapter 14, R.C.M. 1947.

The department's June 30, 1977 financial statements present a $3,093,000 long term liability in the earmarked revenue fund which represents the actuarial deficiency for the Game Wardens' Retirement System. This unfunded pension liability represents a real liability to the department because the benefits payable to game wardens are set

forth in Montana's statutes as defined in Title 68, Chapter 14, R.C.M. 1947.

The actuarial deficiency represents the excess of the projected future benefits payable for retirement system members over current and future collections of assets to the fund using the contribution rate in effect at the time of the last actuarial valuation.

The actuarial valuation as of June 30, 1976 projects that an employer's contribution rate of less than 15.31 percent of salaries could lead to the ultimate insolvency of the system. The employer's contribution was increased from 7 percent to 11 percent of salaries on July 1, 1977, but this increase will not stop the growth of the unfunded pension liability. Based upon the 1976 actuaries' report, employer contributions were increased by only about half of the amount necessary to stop the growth of the unfunded pension liability. The actuarial report projected that an employer's contribution of 18.49 percent of salaries would be required to fund current costs and amortize the unfunded pension liability over a period of 40 years.

The unfunded pension liability has grown from $1,021,000 in 1970 to $3,093,000 in 1976; this represents an annual growth of approximately $345,000.

The Game Wardens' Retirement System has approximately 80 contributing members and 26 retired members receiving benefits. This system is so small that year to year changes in mortality estimates can make dramatic changes in the acturarial valuations. A single death or disability claim will have a much larger impact on this small system than a retirement system with thousands of employees.

When we add the employer costs associated with funding the Game Wardens' Retirement System on a sound basis (18.49 percent of salaries) to the 5.85 percent employer contribution for social security, we see that game wardens' retirement benefits cost the state of Montana 25 percent of game wardens' salaries. In addition, game wardens contribute 13 percent of their salaries to retirement systems.

Retirement costs which amount to 38 percent of salaries appear unreasonable when compared to 24 percent for most other state employees. The department should explore alternatives to the present system.

RECOMMENDATION

We recommend that the department:

1. *Develop a plan to fund the Game Wardens' Retirement System on a sound basis, and seek legislation to adequately fund the system.*
2. *Study alternatives to the current retirement system.*

FISH AND GAME DRAWINGS

INTRODUCTION

The Department of Fish and Game conducted the first moose drawing in 1948. Manual drawings with public participation were held for moose, sheep, goat, and antelope until 1972. Manual drawings were time consuming, taking approximately ten days to complete. They were inefficient and did not allow for the recording of information needed to process today's applications.

Legal restrictions imposed by legislative action and the Fish and Game Commission have required major changes in the drawing system. These changes include processing party applications for antelope and elk, allowing three area drawing choices, and applying for multiple species on one application. Recording of additional information was required for processing years' preference, landowner preference, drawing preference, money received, and refunds issued. Changes required the system to validate input information, quota restrictions, seven-year kill restrictions, age limits, and prerequisite license restrictions. As a result, the drawings have developed from basic manual drawings to a complex computerized data processing system which utilizes the Department of Administration's IBM-158 computer.

The Special Licensing Section employs two full-time employees to maintain the special licensing system. The department adds temporary employees during high work load periods to process resident and nonresident applications and to provide additional assistance to sportsmen. The Special Licensing Section received and processed over 95,000 applications for special permits during the 1977 season. These applications involved approximately $4,960,000 in license fees and refunds.

We reviewed the Special Licensing Section's big game drawing system to determine program bias, accuracy of data files, and compliance with the Department of Fish and Game's policies and regulations for the drawings. We conducted an application review of the computerized drawing system to determine if system and program controls are adequate to meet drawing objectives and provide data security for drawing information. We had an auditor on site during each drawing to determine if the drawings were conducted according to system specifications.

Our review was directed to determine system weaknesses but not to determine the extent of each weakness. Exceptions cited in this report may not reflect the total number of errors or all of the deficiencies in the license drawing system.

In September 1977 we issued a report concerning the operations of the Department of Administration's computer center. In that report we discuss various control weaknesses, many of which affect the Department of Fish and Game's computer operations.

We will not repeat all the recommendations contained in that report which affect the Department of Fish and Game's activities because the responsibility for making those changes rests with the Department of Administration. However, Department of Fish and Game officials should review our report on the Department of Administration, Data Processing Facility, and assure themselves that adequate changes have been made to assure the safety and confidentiality of the Department of Fish and Game's data processing records.

OVERVIEW OF LICENSE DRAWING

PROBLEMS IN 1977

Effect on Sportsmen

During our audit, Department of Fish and Game officials asked this office to expand our license drawing review to perform an in-depth review to identify system errors and weaknesses so the department could initiate corrective action. There were major problems in the 1977 drawings because the Department of Fish and Game did not adequately plan or control the drawing process.

Years' preference was to be part of the big game drawings in 1978; however, the department unknowingly gave preference to applicants with five or more years' preference for moose, sheep, or goat in 1977. Department officials did not know the preference portion of the drawing system was in effect during the 1977 drawings. Because the department allowed errors in years' preference to remain uncorrected during the 1977 drawings, those applicants having recorded years' preference equal to or greater than five received moose, sheep, and goat permits before other applicants were drawn. Applicants could have no more than four years' valid preference in 1977 because the preference rule applies to 1973 and subsequent years. As a result, 134 (22 percent) of the moose permits, 31 (31 percent) of the sheep permits, and 13 (2 percent) of the goat permits issued in 1977 were issued unfairly. This explains why some Montana families received three moose permits.

Because the department has not established adequate controls to prohibit a sportsman from applying for, and receiving, more than one permit at least one Montana sportsman received two antelope permits in 1977.

We found that 17 sportsmen who applied for sheep permits were not included in the drawing for sheep permits. These sportsmen received refunds and notices that they were unsuccessful.

Nonresident sportsmen have an unfair advantage over resident sportsmen because under Montana's law, nonresidents who are 11 years old may apply for special permits if they will be 12 years old by September 15 of the license year, while resident sportsmen must be 12 years of age when they apply.

The last applicant in each drawing has only half the chance of being selected as does each other applicant.

The department notified 400 sportsmen that they were successful for the late Madison hunt and then discovered it had drawn the 400 sportsmen from the wrong hunting district. These permits were subsequently declared invalid and were withdrawn. This error created a hardship on many hunters who had planned vacations and had made reservations for travel, lodging, and guide service based upon the department's correspondence.

Ten moose permits were not issued in the 1977 drawing because sportsmen were not adequately notified that District 361-05 had been added to the quotas. The department received no applications for this district.

Nonresident landowners are eligible to apply for landowner preference for special deer and antelope drawings. However, the nonresident's license application does not include a landowner preference option or information about this privilege.

Management Problems

Inadequate planning and control of the 1977 special license drawings by the department resulted in the following discrepancies:

The department placed incomplete parties in the drawings.

The department allowed under age applicants to apply and build years' preference.

The department combined applicants' records with the identical names and birthdates, deleting a record each time this was done.

The department's drawing system combined current years' information with previous years' information incorrectly for an estimated 4,000 applicants' records. This resulted in over 1,900 errors in applicants' years' preference.

The department issued at least one permit with no name printed on it.

The department allowed successful drawing applicants to return unused tags and maintain their years' preference.

The department allowed an applicant to participate successfully in the moose drawing even though he had received a moose permit within the previous 7 years and had not returned his unused permit. Although the department did not issue this hunter his permit or a refund, the department did not reissue this permit to another qualified applicant.

The department issued more than one refund for the same species to at least 19 applicants during the 1977 drawing.

The department issued refunds of the nonrefundable special elk and special deer application fee.

The department charged 465 nonresident applicants $3 for the $2 turkey tag which resulted in 465 $1 refunds to those applicants.

The department's filing and storage system for the license drawing system was such that the department was unable to balance applications received to ones processed to determine if all eligible applicants were included in the drawings.

These problems indicate poor management of the drawings. No one exercised proper planning or control of the license drawings.

Technical Problems

Our review revealed certain technical deficiencies in the licensing system that result from poor coordination between the Department of Fish and Game and the Information Systems Division (ISD) of the Department of Administration.

The Department of Fish and Game, Special Licensing Section, does not have a current user's manual which explains the requirements of the data processing programs and data input. As a result, Special Licensing Section employees do not have access to the necessary information to adequately perform the data input control and error correction duties for which they are responsible.

The Information Systems Division of the Department of Administration does not maintain adequate system and program documentation to understand the specifications and functions of the license drawing systems and programs. For example, this type of documentation should have been available and should have informed both the Special Licensing Section and the Information Systems Division of the Department of Administration that the years' preference programming was erroneously included in the 1977 system.

The drawing system does not allow all necessary changes and corrections to be made through normal processing. Including corrections in normal processing would provide documentation of all such changes or corrections.

The drawing system does not effectively combine current year application information with that of the prior year for individual applicants. This deficiency destroys applicants' drawing success history and years' preference.

The drawing system will not accept a nonresident antelope application for landowner preference. The drawing system does not provide information about multiple drawings for the same species.

These deficiencies are discussed in detail along with additional system deficiencies on pages 53-89 of this report.

WRITTEN PROCEDURES

The Special Licensing Section has not established a procedures manual or written documentation for the procedures used in the processing of the big game drawing system. Procedures include those necessary for processing applications, correcting application errors, reviewing edit reports, determining landowner and years' preference, controlling refunds, and all other manual processes performed by the section. The Special Licensing Section should have written documentation, including directions for handling, evaluating, processing, or controlling documents or operations, for all procedures performed by the section. Procedures should clearly identify job responsibilities and describe each processing step or decision in the handling of forms or documents. Written procedures are necessary to provide continuity and consistency of work performance. This is especially important because the department employs inexperienced, temporary help during peak workload conditions. Clearly written instructions are essential for adequate system control and performance quality.

The Department of Administration, Information Systems Division, has not provided the department with a user's manual or specifications manual for the drawing system. A user's manual is a document designed to instruct and guide users in the use of data processing systems. A user's manual should contain statements of system objectives, system

specifications, and agency or department requirements for the operation of the system. The Special Licensing Section cannot monitor processing and computer results without an adequate understanding of the system or its requirements. Information Systems Division should provide a well documented, current users manual with each data processing system.

The overall lack of written procedures in the Special Licensing Section has resulted in severe problems and incorrect processing of the big game applications. These weaknesses in the drawing system are separately addressed in the following sections of this report.

RECOMMENDATION

We recommend that the department:

1. *Establish written procedures for the internal processing of applications and other procedures performed by the department's Special Licensing Section.*
2. *Request a current license drawing system user's manual from the Department of Administration, Information Systems Division.*

SYSTEM AND PROGRAM DOCUMENTATION

Program documentation includes program definitions, specifications, flowcharts, operating procedures, and other information necessary to understand the function of a program.

The Information Systems Division has developed standard conventions for computer program documentation. However, during our review of the Special Licensing Drawing system, we found system and program documentation to be incomplete and out-of-date. Program numbers, report numbers, and file numbers were missing from flowcharts. Flowcharts contained

obsolete information from prior years' systems. Documentation did not contain all program definitions for the system. Existing program definitions contained information inconsistent with system flowcharts. System specifications for the Licensing System were missing.

The use of standard conventions is an accepted technique for assuring documentation consistency. Such documentation is essential for a complete understanding of any data processing system. Without adequate documentation, serious processing delays and errors could occur if system problems develop.

RECOMMENDATION

We recommend that the Department of Administration, Information Systems Division maintain adequate, up-to-date systems and programming documentation.

BATCH BALANCING

The Special Licensing Section has not established balancing procedures for species counts, cash receipts, or application batches prior to the drawings.

Applications submitted to the Special Licensing Section are batched together in groups varying in size. A control card containing a unique "batch number," total number of applications, total applications amount, and species counts is completed by the Special Licensing Section and attached to each batch. Batches are then processed into the system.

The Special Licensing Section receives a batch balance report from the system for all batches processed, including the number of applications accepted or rejected, application dollar amounts, and species counts. Differences between the batch balance report and the batch

control card are likely to occur because of: 1) transfers, 2) deletions, 3) keypunch errors, and 4) errors on the control card. During the license application process, the Special Licensing Section "deleted" invalid or incorrect information from applications to allow remaining information to be processed by the license and drawing system. Original batch totals were changed so the batches would balance and could be processed. Because batch totals were modified, the department has no assurance all deleted information was corrected and reentered into the system. To properly maintain batch integrity, original batch totals should not be changed.

The Special Licensing Section balanced application batches after the drawings, but was unable to balance all of the batches. This was due to: (1) original edit reports being misplaced, (2) inaccurate records of transfers, deletions and office refunds, (3) applications not on the master file, and (4) discrepancies in the number of elk or deer applications accepted by the system and the number submitted by the Special Licensing Section. Because species counts did not balance with cash received, Special Licensing personnel cannot be assured all applications got into the drawings, or that all cash was received and recorded for all applications.

RECOMMENDATION

We recommend that the department:

1. *Establish balancing procedures for calculated amounts, batches, cash received, and species counts.*
2. *Modify the license and drawing system to eliminate the capability of changing original batch totals.*

3. *Balance license application batches prior to the drawings.*

PARTY APPLICATIONS

The department accepts party applications for antelope and elk drawings. During 1976 individuals applying as a party were required to submit their applications in the same envelope. This made it easy for the department to identify all members of a party, assign a party number, and process party applications on a timely basis. During 1977 the department did not require party applications to be submitted together. This resulted in processing problems with party applications. The Special Licensing Section had to hold party applications until all party members' applications were received before processing the party. This created a time consuming, manual task of matching missing members to the appropriate party. The Special Licensing Section was unable to locate applications for all applicants for some of the party applications. This resulted in some party members going into the drawings as individual applicants.

Application instructions did not clearly state each member of a party had to submit an application. The Special Licensing Section issued an antelope permit to a party member that did not submit an application. Consequently, the department exceeded the antelope quota for district 730-02.

Each antelope and elk applicant applying as a party must apply for the same party district choice. The system, however, did not validate elk party records to ensure all party district choices were in the same sequence for each member of a party. Applicants were included in drawings for areas for which they had not applied and were not in drawings

for areas for which they had applied. This resulted in the Special Licensing Section conducting three additional elk drawings and running numerous "special programs" to correct the license and drawing files.

RECOMMENDATION

We recommend that the department:

1. *Establish adequate procedures for accepting and processing party applications.*
2. *Modify the license and drawing system to properly validate party records and district choices.*

ACCEPTANCE OF LATE APPLICATIONS

The department has a policy of allowing applicants to correct and return applications after the application deadline. This policy imposes an arbitrary second deadline which allows some applicants, but not others, to correct errors. It also allows applicants to apply for species which they had not applied for prior to the deadline. The department should set guidelines as to what constitutes a complete application and should accept only complete applications prior to or on the deadline. There is basic information on the special license application which is necessary to process an application into the license drawing system. The department may consider classifying applications as complete if they contain this information.

Special Licensing accepted applications with a postmark later than July 1, 1977, because a reasonable possibility exists that the Helena Post Office cancelled July 1 applications with a July 2 postmark. Only the Fish and Game Commission has the power to make exceptions to its rules and regulations. The Special Licensing Section should obtain

commission approval prior to entering late postmarked applications into the drawing system and making those applicants eligible for the drawings.

RECOMMENDATION

We recommend that the department accept only completed applications prior to or on the deadline date.

EDIT AND UPDATE

Prior to adding or updating records on the license and drawing file, the system validates input records for missing and invalid information. The system, however, does not verify that all information is correct or that it complies with the department's laws and regulations.

Age Validation

The system does not check for required hunter safety certificate numbers. Section 26-202.1(2)(a), R.C.M. 1947, states "No hunting licenses shall be issued to any resident person under the age of 18 years unless he presents to the person authorized to issue such license a certificate of competency as provided by this section." The section provides for a course of instruction in the safe handling of firearms. The Special Licensing Section manually reviews each application for a valid hunter safety certificate number if the applicant is under 18. Applications with missing hunter safety certificate numbers, which are not detected by the Special Licensing Section, have been put on the license and drawing file. Applicants may go into the drawings and, if successful, be issued a permit.

The department has not established adequate control within the Special Licensing Section to assure compliance with age requirements. The Special Licensing Section has allowed underage applicants onto the

license and drawing file and has adopted a standard policy of "dubbing" in missing birthdates on applications during the 1976 and 1977 hunting seasons. Our review disclosed 592 records with a 1976 or 1977 date in the birthdate portion of the license and drawing file. Section 26.202.1(13)(a) R.C.M. 1947, states: "Any applicant who is 12 years of age or older and is a resident as defined by Section 26-202.3, . . . may apply for a special license. . . ." The system does not validate original application birthdates or birthdate corrections made by the Special Licensing Section for underage applicants. Applicants with "dubbed" birthdates went into the drawings and if successful were issued permits. The Special Licensing Section has no assurance these applicants were not underage.

RECOMMENDATION

We recommend that the department:

1. *Include hunter safety certificate numbers on the license and drawing file and perform system validation checks based on birthdate.*
2. *Discontinue "dubbing" in birthdates.*
3. *Modify the license and drawing system to perform a validity check on application birthdates and corrected birthdates.*

Conservation Numbers

The Special Licensing Section has allowed applicants with missing conservation numbers to be added to the license and drawing file and has adopted a standard policy of blanking out invalid conservation numbers. Sections 26-229 through 26-232, R.C.M. 1947, require the purchaser of

any hunting, fishing, or trapping license to present a valid conservation license to the seller before being allowed to purchase said license.

The system will accept applications without conservation numbers. Without this information the Special Licensing Section cannot be assured all applicants have purchased the prerequisite conservation license prior to the drawings. Accepting applications without conservation numbers allows an applicant to postpone purchasing a conservation license until after he is notified he has been successful in the drawings.

RECOMMENDATION

We recommend that the department modify the license drawing system to reject each application submitted without a conservation license number.

Invalid Permits

The department has not established adequate controls to prevent sportsmen from applying for, and receiving, more than one permit for the same species. Section 26-202.1(17), R.C.M. 1947, provides in effect that only one license of any type shall be issued to any one person. The Fish and Game Commission adopted hunting rules and regulations which state: "It is prohibited to submit more than one application for any game license." Our review disclosed an applicant had submitted two applications for antelope a few days apart. One application had a valid birthdate, the other was given a "dubbed" birthdate. Both were accepted into the system. Birthdate is a key element in the license and drawing system because it is used in conjunction with last name to identify and combine applicants with more than one record on file. Because the

Special Licensing Section "dubbed" an invalid birthdate on one of the person's applications, these duplicate records were not combined. Both records went into the drawings and both were successful. The Special Licensing Section issued the applicant two antelope permits.

RECOMMENDATION

We recommend that the department modify the special licensing system to allow only one application per species into the drawings.

EDIT AND ERROR CORRECTION

The Special Licensing Section receives accepted and rejected record listings each time batches of records are processed by the system. These reports provide a vehicle for correcting error documents and getting error records on the system.

Control and Follow-up of Edit and Update Reports

The Special Licensing Section does not maintain adequate controls over data input to determine if all error records are, in fact, corrected and input to the system. There is no formal filing or storage system for computer generated reports. Reports are stored in unlabeled boxes on top of tables, filing cabinets, and in various files in the Special Licensing Section's area. This has resulted in original reports being misplaced or lost, making it difficult for error research and balancing input application batches.

The Special Licensing Section has not established procedures to ensure every eligible application for a special permit went into the drawings. Error records for 17 applicants applying for a sheep permit were corrected by the Special Licensing Section and accepted into the system the day after the sheep drawings. The applicants were not

included in the drawings. They did not have an opportunity to be selected for a sheep permit. They were later issued a refund.

RECOMMENDATION

We recommend that the department:

1. *Establish an adequate filing system within the Special Licensing Section to allow for error research and an adequate audit trail.*
2. *Establish follow-up procedures for requested drawing file changes and corrections.*

System Inflexibility

The system does not allow for all changes or corrections to be made through normal processing. As a result, special programs or utility programs must be used to fix or patch-up the file. The purpose and use of these special programs have not been documented. Without adequate control over the license and drawing file, reliability of information on the file is lost.

Normal corrections to error records are made with the use of a correction form. Correction information is by-passed if key fields on the correction form are left blank. As a result, output reports improperly reflect the correction as being accepted, when actually there was no change to the license and drawing file.

RECOMMENDATION

We recommend that the department modify the license and drawing system to properly reflect correction processing.

Status Indicators

The license and drawing system currently places status indicators on each record of the license and drawing file to indicate application

status, drawing status, and refund status for each species. The department has not established adequate use and control over these status indicators.

There is not a separate code in the system for "NSF" (nonsufficient funds or no account) records. When a check is returned to the Special Licensing Section marked "NSF" a correction is made to the applicant's license and drawing file record placing an "O" (for office refund) in the status section. As a result, the Special Licensing Section cannot identify "office refunds" from "NSF" applicants on the license and drawing file. For balancing purposes, and to assure that a license and/or refund is not issued to "NSF" applicants, it is necessary to maintain a separate, unique "NSF" code on the license and drawing file.

The Special Licensing Section has not established written procedures and did not follow management policies for processing "NSF" applications. During the 1977 hunting season, the Special Licensing Section issued an "NSF" applicant permits for antelope, moose, and sheep, and a $15 refund for being unsuccessful in the goat drawing. It has been the Fish and Game Commission's policy since November 6, 1967 ". . . That 'NSF' and 'no account' checks be returned to the applicant with his application and the applicant be informed his name has been removed from the drawing."

Under the present license and drawing system, there is a specific status code for the application status of a special license purchased over-the-counter (code "F"). The Special Licensing System does not use the available code for unlimited sheep and antelope districts sold over-the-counter. The license and drawing file is in error and does not

properly distinguish between successful applicants in the drawings and permits purchased over the counter for unlimited districts.

RECOMMENDATION

We recommend that the department:

1. *Utilize status indicators to reflect the reason for making each refund.*
2. *Comply with the Fish and Game Commission's policy on "NSF" and "no account" applications.*

On-line Access

The license and drawing system does not provide the Special Licensing Section adequate online access to drawing file information. The Special Licensing Section uses the online system for: (1) information purposes, (2) providing up-to-date and historical information to inquiring sportsmen, (3) verifying corrections or updates were made to the file, and (4) error research. Access to the file is made through the use of a unique file number assigned to each applicant. New applicants who are not on the license and drawing file are assigned a file number by the Special Licensing Section when an application for a special license is made.

Prior to the 1977 hunting season, the Special Licensing Section sent applications and a gummed label containing the applicant's name, address and file number to each applicant on the license and drawing file. This label, when attached to an applicant's application, provided the Special Licensing Section with the necessary file number for processing his application. If the sportsmen did not use the label and the applicant's file number was not otherwise available, the Special Li-

censing Section used an on-line phonetic search (computer search based on name) to find the applicant's file number. Information was then displayed on a cathode ray tube (CRT).

Program limitations, however, resulted in the Special Licensing Section receiving the message "criteria too broad" and the search ending. The Special Licensing Section was unable to obtain necessary information to properly process applications during the hunting season. This resulted in duplicate records for an individual on the license and drawing file because the Special Licensing Section could not obtain an applicant's record and file number.

All necessary information is not displayed on the CRT. For example, applicant status for unlimited sheep is not displayed. Without this information, the Special Licensing Section cannot be assured the license and drawing file has been properly updated for unlimited sheep.

RECOMMENDATION

We recommend that the department modify the on-line system to provide adequate access and to display all necessary information to properly process applications.

LANDOWNER PREFERENCE

Landowner preference was established by the Department of Fish and Game in 1973. An individual may qualify for landowner preference for antelope and special deer if he owns or is contracting to purchase at least 160 acres of land in the hunting district for which application is made. A landowner may also designate his landowner preference to a member of his immediate family or employed ranch manager. Our review disclosed weaknesses in the folowing areas: (1) when an applicant has

applied for and received landowner status in a previous year, the landowner status is not removed from his record; (2) if an applicant applies the following year using the label provided by the department, the Special Licensing Section does not check to see if he is still a landowner; (3) no check is made for assigned preference from one year to the next--as a result landowners have assigned more than one preference in the same district; (4) the system does not provide a listing of successful applicants in the landowner drawings--the Special Licensing Section cannot be assured all successful applicants were in fact landowners; (5) a nonresident landowner is eligible to apply for landowner preference for special deer and antelope; however, the nonresident's license application does not provide a section for landowner preference; and (6) the system will accept applications for nonresident special deer landowner preference but will not accept applications for nonresident antelope landowner preference.

RECOMMENDATION

We recommend that the department:

1. *Establish and implement adequate control procedures to properly identify qualified landowners from year to year.*
2. *Give landowner preference only to qualified applicants who have applied for preference.*
3. *Revise the license application to provide a means for nonresident landowners to use their preference privilege or change the regulation giving preference.*

YEARS' PREFERENCE

Our review of the license and drawing programs disclosed program errors resulting in years' preference inconsistency and invalid years' preference data on the license and drawing file.

Special permit priorities were established and began in 1973. The department records the number of consecutive years an applicant has unsuccessfully applied for each species. In 1978 hunters who have applied and received five or more annual consecutive unsuccessful notices, beginning with 1973 for the same species (moose, sheep, or goat), will be eligible to apply for priority status for that species. These applicants will be given priority over applicants with one to four years' preference.

The Special Licensing Section has not established adequate procedural or balancing controls for maintenance of years' preference. The system does not maintain control totals for years' perference. Unauthorized changes to years' preference can be made without detection. By using control totals of years' preference the department could monitor and detect unauthorized changes to preference.

RECOMMENDATION

We recommend that the department implement balancing procedures for years' preference.

Update

The edit and update program calculates years preference in two ways: (1) for a new applicant, the years' preference is shown as "00" on the file the first year he applies, and (2) for corrected or combined records years' preference is calculated by subtracting the year first applied from year last applied and adding one. Individuals may have applied in the same year, but anyone having his record changed received an additional year's preference.

The year-end maintenance program added one year's preference to moose, sheep, and goat applicants who applied for a license during the

hunting season even when the applicant was ineligible for the drawings. The license drawing system allows underage applicants to build and retain years' preference. To prevent underage applicants from accumulating invalid years' preference, the system should identify all underaged applicants' records and refund the applicants' drawing fee.

In addition, the system should compare the number of an applicant's years' preference to the possible years' preference he could have accumulated since his 12th birthday. For example, a 13 year old applicant with five years' preference is an error.

RECOMMENDATION

We recommend that the department modify the license drawing system to properly calculate years' preference.

Returned Permits

Successful applicants in the moose, sheep, or goat drawings may not apply again for the next seven years unless the applicant returns his unused license. The system verifies returned licenses but does not blank out the "license returned" field on an applicant's record if he is successful in the drawing again. An applicant, who once returned his license, could continue to apply for the drawings each year, even if he was successful every year or had killed an animal. His application would not be rejected because his file would indicate he had returned his permit and he would be unfairly building his years' preference.

The year an applicant returns his unused license is not maintained by the system. When an applicant returns his unused license, the Special Licensing Section makes a note of it on his application and returns the unused license to the applicant. An individual could return the same unused license in more than one year.

The system does not properly update the year first applied and years' preference when an unused license is returned. If an applicant had applied for moose, sheep, or goat since 1973, was successful in 1976 and returned his unused license in 1977, he would retain his years' preference since 1973.

The Special Licensing Section accepted affidavits or unused licenses after the application deadline, allowing ineligible applicants to go into the drawings. Prior to the 1977 drawings, the Special Licensing Section sent affidavits to applicants who had received a moose, sheep, or goat license in a previous year and had not returned their unused license. The Special Licensing Section then updated these applicants' records to indicate the unused licenses had been returned without having received all of the affidavits or unused licenses. Section 26-202.2(2), R.C.M. 1947, states individuals are ineligible to apply unless they return their "Unused special license to the department before or at the time application is made." Therefore, Fish and Game should not accept affidavits.

Under Section 12-2.6(1)-S650, A.R.M., years' preference is established for limited areas and an applicant should not lose preference if he were issued a permit in an unlimited area when his first district choice was for a limited area. However, when the first choice is an unlimited area he should not retain his years' preference.

Our review disclosed the following program weaknesses for applicant applying for unlimited sheep districts: (1) if an applicant applies for a limited and unlimited district and is unsuccessful in the limited area, but is issued an unlimited area permit, his years' preference is

lost; and (2) if an applicant applies for an unlimited area as his first district choice, he retains his years' preference.

RECOMMENDATION

We recommend that the department:

1. *Modify the license drawing system to blank out the license returned field of an applicant's record when he is successful.*
2. *Modify the license drawing system to update first year applied and the years' preference for those applicants who return their unused licenses.*
3. *Comply with statutes for returned license eligibility, and discontinue accepting affidavits in lieu of returned licenses.*
4. *Modify the license drawing system to update years' preference in accordance with the Fish and Game Commission's policies and regulations relating to application for unlimited sheep districts.*

RESIDENT--NONRESIDENT AGE REQUIREMENTS

Current legislation discriminates against resident sportsmen applying for moose, sheep, and goat licenses. Under Section 26-202.1(12), R.C.M. 1947, a nonresident may apply for any special license if he is 11 years old and will be 12 years old prior to or on September 15 of the current hunting season. However, under Section 26-202.1(13), R.C.M. 1947, a resident must be 12 years old when he applies for a moose, sheep, or goat license.

The intent of the law is to treat resident and nonresident sportsmen equally although the literal wording is discriminating. Legislation

should be proposed to establish like age requirements for residents and nonresidents.

RECOMMENDATION

We recommend that legislation be enacted amending Section 26-202, R.C.M. 1947, to establish like age requirements for residents and nonresidents.

MANAGEMENT REPORTS

The license and drawing system does not produce management reports to enable the department to adequately assess the results of a drawing. There are two statistical reports issued after each drawing. These reports are too complex in design, difficult to interpret, and do not contain adequate information. Drawing statistics are inflated since each drawing is combined with the previous species drawings on the reports. The reports do not contain years' preference information or an indication as to whether drawing quotas were exceeded. In certain instances, the statistical reports do not indicate the time of day the drawing was held. This information is necessary for the Special Licensing Section to maintain reports in a chronological order whenever multiple drawings are conducted on the same day.

The department should have meaningful statistical reports to enable department management personnel to interpret the reports to determine that a fair, error-free drawing has been completed.

RECOMMENDATION

We recommend that the department modify the drawing system to produce meaningful statistical reports.

SYSTEM DESIGN

The license and drawing system is not designed to maintain an audit trail for multiple drawings. If there are licenses (or permits) remaining unissued after initial drawings, the Fish and Game Commission may authorize additional drawings. The license system does not distinguish licenses or refunds issued as a result of second and subsequent drawings. To properly balance total applicants with the total amount of money received and refunded, the system should maintain a record of the number of times an applicant has applied for a species and a record of all refunds or licenses issued.

The system does not properly process two applications for the same species. If an applicant applies for a limited sheep permit and is unsuccessful in the drawing, he may purchase an unlimited over-the-counter license from the department. The system, however, will not accept his second application. The Special Licensing Section must use a correction form to enter unlimited sheep permit information on the file and must run a special program to update application status and assigned district relating to unlimited sheep licenses purchased over-the-counter. This has resulted in the license and drawing file not being updated on a timely basis and in invalid information being displayed when drawing information is retrieved.

Manual corrections and "special programs" increase the possibility of entering errors into the system. The Special Licensing Section has no procedures to assure all over-the-counter purchases are correctly entered onto the license and drawing file. The system should allow applications for over-the-counter purchases to be entered onto the file

with normal application processing. The system should maintain an audit trail on dual applications for the same species.

RECOMMENDATION

We recommend that the department:

1. *Modify the license and drawing system to properly process and maintain adequate audit trails on multiple drawings.*
2. *Modify the license and drawing system to accept over-the-counter license sales and to maintain adequate audit trails relating to dual applications.*

COMPUTER SERVICES DIVISION

Forms Control

The Computer Services Division (CSD) of the Department of Administration has not established adequate control over printed computer output to allow proper distribution or assurance that output will not be lost or misplaced. On August 31, 1977 over 24,000 special antelope permits were left unmarked and unattended in the hallway outside a room used by the Computer Services Division. The permits were mistaken for recycling material and were almost taken to the recycling center. The error was discovered by an input/output controller who was leaving the Computer Services Division coffee room at the same time special permits were being loaded on a cart with other refuse material.

Although the department maintains a reserve supply of 50,000-100,000 permits, the loss of these permits would have resulted in costly computer reruns, and permits may not have been mailed to applicants until after hunting season had opened.

RECOMMENDATION

We recommend that the Department of Administration, Computer Services Division, implement adequate controls to properly safeguard computer output.

Restore Procedures

The Computer Services Division has not established adequate operational procedures to ensure the department's data files are properly recreated when they are lost or destroyed. When a file is destroyed by program error or computer failure, a back-up file (previous copy of the file) is used to restore data. All computer runs that were made after the back-up file was created and before the file was destroyed are rerun to bring the file up-to-date.

During the 1977 drawing season, the license and drawing file was destroyed and was not properly restored. An antelope refund program was not rerun to properly bring the file up-to-date. If a normal refund processing had been conducted prior to the discovery of this error, all unsuccessful antelope applicants from the second antelope drawing may have received a duplicate refund. CSD should maintain a chronological listing of computer runs made against the license and drawing files to ensure all runs are processed during restore procedures.

RECOMMENDATION

We recommend that the Department of Administration, Computer Services Division, adhere to internal control procedures to assure that lost or destroyed data files will be properly restored.

RANDOM DRAWING

To select successful applicants in the license and drawing system, the Information Systems Division uses a fortran language subroutine to

generate random numbers. Numbers generated by a computer subroutine are acutally pseudo-random numbers, generated by an arithmetic process to satisfy the needs for a random number. There are several types of random number generators on the computer software market. The one used by the department was taken from an IBM Scientific Subroutine Manual. It is one of the more simple routines available and is commonly used. There are random number generators available which produce a higher degree of randomness, but they are complex and are costly to run.

The Department of Administration, Information Systems Division's, review of the drawing programs disclosed a rounding problem created by the department's use of the random number generator in the selection of successful applicants for moose, sheep, goat, special deer, antelope, and elk. Each program uses the random number generator to produce a "random" decimal number. A rounded integer is then created by multiplying the decimal output of the subroutine by the population of the drawing district. This output integer is then used as an index to access a disk file containing the drawing applicants. Since the output from the subroutine is a decimal number less than the integer 1, rounding up will occur on the last number of a given population. This causes selection bias in the drawing programs, as the last applicant in each drawing has only half the chance of being selected as does each other member of the population. This bias selection affected over 280 applicants in the 1977 drawings.

All applicants within a given drawing should have an equal chance of being selected, based on established drawing regulations and restrictions.

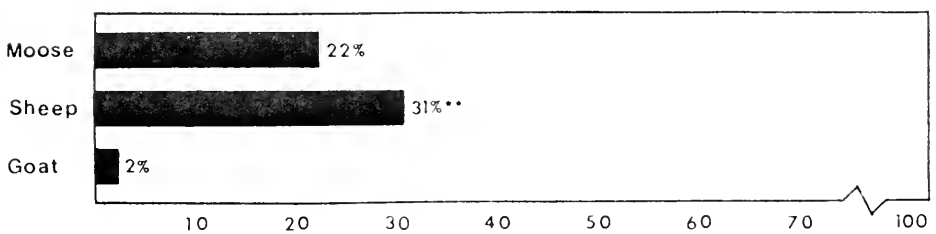
RECOMMENDATION

We recommend that the department modify the drawing programs to allow each applicant an equal chance of selection.

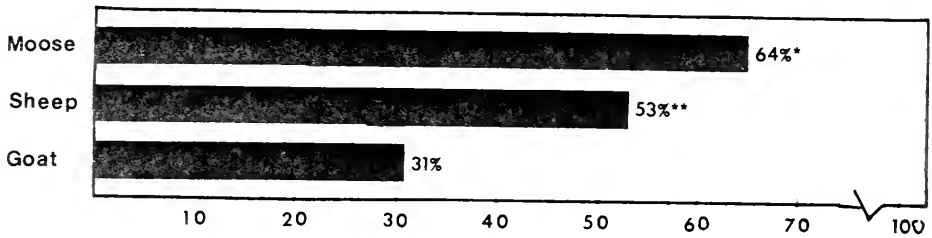
PERMIT SELECTION

Preference drawings (applicants with five or more years' preference for moose, sheep, and goat) should not have begun until the 1978 hunting season. Based on verbal communication from personnel of the Information Systems Division, Department of Administration, department personnel assumed the drawing system would not give years' preference in the 1977 drawings. Written documentation does not exist to indicate otherwise. Special Licensing Section personnel, therefore, did not attempt to correct errors in years' preference until after the drawings. Applicants' records erroneously indicating five or more years' preference improperly received preference in the drawings. This resulted in 15.2 percent of combined moose, sheep, and goat permits issued being issued on an invalid basis and a significant number of families, particularly in the moose drawing, receiving multiple permits. The following statistics illustrate the overall effect invalid years' preference had on the moose, sheep, and goat drawings.

PERCENTAGE OF APPLICANTS WHO RECEIVED PERMITS
AS A RESULT OF INVALID PREFERENCE



PERCENTAGE OF DISTRICTS AFFECTED BY APPLICANTS
RECEIVING INVALID YEARS' PREFERENCE



	Number of Permits Issued	Number of Permits Issued on an Invalid Basis
Moose	602	134
Sheep	98**	31
Goat	467	13
TOTAL	1,167	178

* Excluding district 361-05 where no permits were issued.

** Excluding unlimited sheep districts.

The department's Special Licensing Section personnel and Department of Administration personnel should have a complete and accurate understanding of the drawing system. Written documentation should exist to provide detailed processing information on the system, and management reports should reflect the results of processing conducted.

After a review of the drawing statistics, which indicated an apparent problem in the drawings, the department put forth a significant effort and found this error in permit selection.

RECOMMENDATION

We recommend that the department work with the Department of Administration to establish procedures to ensure that drawings are conducted in accordance with regulations.

COMMUNICATIONS

The successful data processing system depends on effective communication between the users and the system's design personnel. There is a general lack of written communication between the department's Special Licensing Section and the Department of Administration, Information Systems Division.

Because the Special Licensing Section made verbal requests rather than written requests of the Information Systems Division, those requests often resulted in misunderstandings and data processing delays. The Special Licensing Section and the Information Systems Division did not adequately inform each other of the progress and status of the drawing file during 1977. This situation resulted in an attempt to draw moose, sheep, and goat permits before all applicants were placed on the drawing file.

News articles improperly faulted the computer for problems which were actually created by programming errors and bad data on the license and drawing file.

RECOMMENDATION

We recommend that the department:

1. *Submit written requests for work to be performed by the Information Systems Division, Department of Administration.*
2. *Maintain a file of correspondence between department personnel and Department of Administration personnel concerning the drawing system.*

REVIEW PROCEDURES

The department has not established adequate procedures for review of license application drafts, hunting maps, and commission minutes following the commission's meetings. On December 27, 1977, Information Systems Division conducted a redraw from area 360 for 400 permits for the late season hunt held on the Madison side of the Gallatin. An initial drawing for this area had been held in August 1977 from area 310. The intent of the commission had been to hold the drawing from area 360, but because there was (and is) a discrepancy in the commission's minutes, the permits were initially drawn from and sent to area 310 applicants. These permits were later declared invalid by the department.

The nonresident license application contains a typographical error. The turkey tag is shown as costing $3, when it actually costs $2. As a result of this error, the Special Licensing Section issued 465 $1 refunds to individuals remitting $3 to purchase a turkey tag. The cost of issuing these warrants was far greater than the actual amount of the warrants issued.

Because the employee normally responsible for reviewing drawing results was on vacation during the special deer, elk, and antelope drawings, employees not familiar with the system were called upon to review and approve the drawing results. They could not perform a satisfactory review since no written procedures or criteria exist for the review.

RECOMMENDATION

We recommend that the department:

1. *Prepare written guidelines for reviewing the results of game drawings.*

2. *Establish procedures to properly review application drafts, hunting maps, and the Fish and Game Commission's minutes to ensure that departmental action follows the commission's intent.*

PUBLIC NOTICE

The public is not made aware, on a timely basis, of changes in the tentative quotas established by the Fish and Game Commission. Section 26-104.3, R.C.M. 1947, grants the Fish and Game Commission power and authority to establish bag limits (quotas). At the June 23, 1977 commission meeting final moose, sheep, and goat quotas were adopted with a few changes, one of the changes was the addition of 10 antlered bull moose permits in District 361-05. The commission adopted the quota change at a date which was too late to provide proper notification to the public prior to the July 1 deadline for applications. The Special Licensing Section received no applications for district 361-05. These permits remain unissued at the end of the drawings.

RECOMMENDATION

We recommend that the department establish procedures to properly inform the public of special permit changes.

LICENSE AND DRAWING FILE INFORMATION

In order to properly process applications, the license and drawing system maintains current and past information on each applicant. This information is used in: (1) printing licenses; (2) reports; (3) determining preference for antelope, elk, and deer drawings; (4) determining the number of years an applicant has applied for moose, sheep, or goat;

(5) determining if an applicant has purchased the necessary prerequisite license(s); (6) determining if an applicant was successful in a prior year's drawing and did or did not return his unused license (moose, sheep, and goat); and (7) determining if an applicant has received a refund or is eligible for a refund.

Missing Data

The Department of Fish and Game has not established adequate procedures to determine if the information on the license and drawing file is complete, proper, and correct prior to accepting records into the drawings. The license and drawing file contains an undetermined number of applicants' records with the applicant's name missing. Controls in the system are inadequate to assure computer printed information on licenses is correct and complete. The Special Licensing Section printed and issued at least one permit with "no name" to an individual who was successful in the 1977 drawings. Section 26-217, R.C.M. 1947, provides in effect that no person shall be allowed to transfer a license. Information on a special license should be adequate to properly identify the licensee.

RECOMMENDATION

We recommend that the department establish system edits to prevent the issuance of licenses on which no name is printed.

Incomplete Date Capture

There is no provision in the license and drawing system for maintaining a clear audit trail when certain information on the application is incorrect. Under the present system, when an applicant submits an application containing incomplete or incorrect information, the Special Licensing Section attempts to contact the applicant for correction. If

the applicant cannot be contacted, the application for the particular hunt, which includes the error, is deleted from further processing and the Special Licensing Section issues the applicant a manually processed refund. The license and drawing file is not updated to show the full remittance, the refund, or that the individual applied for the species. Although certain information is vital and must be present to enter application records onto the license and drawing file, information which is not vital and is incorrect should be accepted by the system. The system should identify errors on the license and drawing file for correction and prevent these records from going into the drawings unless they are corrected. This would allow the system to reflect full application remittance, and all refunds for error records could be made through normal refund processing. This would also correct the major problems encountered with batch balancing referenced earlier in this report (see page 49).

RECOMMENDATION

We recommend that the department modify the license and drawing system to allow acceptance of records with correct vital information and flag any incorrect nonvital information for department follow-up and correction.

Mini Drawings

In the 1977 hunting seasons and in prior years, the department has periodically held mini drawings or "damage drawings" for special season hunts. Section 26-135, R.C.M. 1947, establishes the department's authority to set special seasons; however, there are no established procedures for the drawings or for placing the successful applicants onto the license and drawing master file.

Based on the 1977 seasonal hunting regulations, persons who did not hold a special license in the previous license year were to receive preference over applicants who did receive a license. Under these regulations, any individual who is successful in the special season drawings should be entered as successful on the license and drawing file. According to department officials, hunters' success ratios are low in special season hunts. Also, department officials believe that successful applicants are doing game management and area residents a service and should not lose their drawing preference the following year. The department should comply with established regulations or change regulations to comply with their policy.

RECOMMENDATION

We recommend that the department comply with established regulations on special season drawings or change the regulations to comply with their policy.

Combined Records

The department's procedures for combining duplicate records on the license and drawing file were inadequate. To record an applicant's years' preference and to ensure that an applicant did not apply for the same species more than once, the department combined multiple records from the same applicant using a combined-duplicates program.

During the 1977 season, over 8,000 duplicate records were combined. Errors in the combined duplicates program caused an estimated 4,000 records to be combined improperly. The Special Licensing Section lost the ability to reference prior year records based on applicant number when old application records were combined into new application records.

Historical information was lost or switched around, resulting in invalid years' preference information on over 1,900 records. Twins were erroneously combined into one record on the license and drawing file. This was caused by the applicants having the same last name and birthdate. This resulted in records with invalid information and the loss of applicant records from the license and drawing file.

RECOMMENDATION

We recommend that the department establish and document procedures for combining duplicate records.

Refund Procedures and Policies

The department has not established written procedures and policies on license and drawing system refunds. "Bad memory" refunds are issued to applicants who are ineligible for the drawings because they applied for a moose, sheep, or goat permit during the current year but had received a permit within the past seven years and did not return their unused tag. Bad memory applicants detected by the system were not to go into the drawings and were to be issued refunds. Our review disclosed one bad memory applicant who mistakenly went into the drawings and was successful; however, he was not issued a permit or a refund. A moose permit remained unissued due to this instance. There is an inconsistency in the system since other bad memory applicants received refunds.

The 1977 seasonal hunting regulations state ". . . No applicants for a special elk license (permit) shall be entitled to any refund regardless of success or failure in being awarded a license or permit in any drawing. . . ." The resident special license application also states special deer and elk license fees are nonrefundable. Our review

disclosed at least two individuals who were issued refunds by the Special Licensing Section for special deer and elk applications.

Unsuccessful drawing applicants applying for special elk permits could elect to receive a refund for their elk tags by including the elk tag with their special permit application. The issuance of elk tag refunds is not part of the licensing system. The Special Licensing Section manually recorded elk tags received and manually issued refunds for individuals that sent in their elk tags with their special permit applications. Office refund records are incomplete, and the Special Licensing Section cannot balance the refunds issued. The Special Licensing Section should organize and process all refunds through the license and drawing system to facilitate adequate balancing procedures.

RECOMMENDATION

We recommend that the department:

1. *Establish and implement procedures relating to refunds to ensure compliance with regulations.*
2. *Expand the license and drawing system to capture elk tag information and issue refunds through the system for unsuccessful elk permit applicants.*

REFUND PROCESSING

Refund Status

The Special Licensing Section has not established an adequate audit trail for refunds. Systems refunds are issued through the refund processing run after the drawings. The status section of each species on the license and drawing file is used to determine if a refund is due or has been issued. Refunds are issued to individuals with a status of "G"

(department's request), "B" (bad memory), "U" (unsuccessful in drawing), and "X" (applied but not in drawing). The status section of each species containing one of these codes is changed to an "R" (refunded) by the refund program. The system does not retain the recorded reason for each refund.

The Special Licensing Section, through the use of a correction form, can change the status section of any record which has not been refunded to a "G" (the department requests a refund be made through the system) or an "O" (the department has issued refund on a manual basis). The system does not record the status prior to the change.

In order to balance successful applicants and refunds, and to determine all records were processed, and were processed only once, the Special Licensing Section should establish separate coding to properly identify each type of refund on the license and drawing file.

RECOMMENDATION

We recommend that the department establish additional coding to identify the reason for each refund.

Refund Control

The department has not established adequate control to determine that all unsuccessful or ineligible applicants received refunds or that the applicants received the correct amounts.

The Special Licensing Section issued more than one refund for the same species to at least 19 individuals applying for antelope, moose, sheep, or goat. Refunds consisted of either two manually processed refunds, two computer processed refunds, or a manually processed refund and a computer processed refund. This caused an imbalance in the license

and drawing file. The Special Licensing Section cannot be assured other individuals have not received more than one refund for the same species.

The license and drawing file is not updated to properly reflect all manually processed (office) refunds. Refunds are not entered onto the license and drawing file unless the applicant is already on file. A list maintained by the Special Licensing Section for office refunds is the only evidence that an individual had applied for a license and was issued a refund. To maintain an adequate audit trail and for control purposes, the Special Licensing Section should record all refunds on the license and drawing master file.

During the 1977 drawings, the department refunded over $760,000 to sportsmen. The department should consider alternatives to taking in species' permit money and then refunding it. One method would be to charge a nonrefundable application fee to recover drawing costs and bill the successful drawing applicants for the permit fees. An application fee, rather than per species fee, could reduce the multiple applications the department has to process. This method would be cost beneficial for moose, sheep, and goat species, but not for the antelope because of the large volume of successful permits issued.

RECOMMENDATION

We recommend that the department:

1. *Establish controls to prevent issuing more than one refund for the same species.*
2. *Update the license and drawing file to properly reflect all refunds.*
3. *Consider alternatives to the present system of collecting species' permit money and then refunding it.*

FINAL COMMENTS

We have reviewed the comments and recommendations contained in this report with the staff members of the Montana Department of Fish and Game and with the Director of the Department of Administration and his staff. The full texts of the departments' responses to this report begin on page 97.

We wish to express our appreciation to the Director of the Department of Fish and Game and to the Director of the Department of Administration and their respective staffs for cooperation and assistance during this audit.

FINANCIAL STATEMENTS

DEPARTMENT OF FISH AND GAME

Combined Balance Sheet
All Funds
June 30, 1977

Exhibit A

—Assets—	General Fund	Earmarked Revenue Fund	Federal & Private Revenue Fund	Federal & Private Grant Clearance Fund	Bond Proceeds & Insurance Clearance Fund	Trust& Legacy Fund
Cash Change Fund		$ 1,067.00				
Cash Revolving Fund		200.00				
Cash in State Treasury		5,376,376.19	$306,481.14	$699,109.82	$6,110.99	$ 692.98
Deferred Accounts Receivable	$ 1,714.62	1,986.56	663,459.04	89,611.29		.01
Dishonored Checks						
Inter-Entity Loans Receivable		300,000.00				
Expense Advances to Employees		754.82				
Capital Construction Advances		55.00				
Short-Term Investment Pool Principal						757,449.23
STIP Accrued Interest Purchased						165.55
Warehouse Inventory		241,251.96				
Total Assets	$ 1,714.62	$5,921,691.53	$969,940.20	$789,721.11	$6,110.99	$758,307.77
—Liabilities—						
Accounts Payable				$ 16,939.39		
Inter-Entity Loans Payable			$300,000.00			
Accrued Support Expenditures	$70,846.34	$544,329.63	120,492.77			
Res. Deferred Accts. Rec.						
State Dated Warrants		1,078.81	374.43	1,268.00		
Receipts Collected in Advance				323,055.00		
Uncleared Collections		3,268.00		267,960.00		
Long-Term Liabilities		3,093,000.00				
Reserve for Warehouse Inventory		241,251.96				
Total Liabilities	70,846.34	3,882,948.40	420,867.20	604,222.39	0	0
Fund Balance						
Fund Balance General	(77,861.62)	411,999.43	(1,420,671.86)	(185,498.72)	6,110.99	758,307.77
Reserve for Continuing Appropriations		1,081,519.30	1,305,031.60			
Reserve for Reverted Appropriations	8,729.90	545,224.40	664,713.26			
Total Fund Balance	(69,131.72)	2,038,743.13	549,073.00	185,498.72	6,110.99	758,307.77
Total Liabilities and Fund Balance	$ 1,714.62	$5,921,691.53	$969,940.20	$789,721.11	$6,110.99	$758,307.77

DEPARTMENT OF FISH AND GAME

Earmarked Revenue Funds
Balance Sheet
June 30, 1977

Exhibit B

Assets	Coal Tax ERA	F & G ERA	Parks Misc ERA	Parks ERA	Motorboat ERA	Snowmobile ERA	Total Earmarked Revenue
[illegible]		$ 61 00	$ 450 00				$ 1 067 00
[illegible]			200 00				200 00
[illegible] State Treasury	$724 [illegible] 29	4 300 968 35	107 381 07	$128 781 99	$41 162 53	$67 858 95	5 376 376 19
[illegible] Accounts Receivable		386 55					1 [illegible] 56
[illegible] Checks							
Inter Entity Loans Receivable		300 000 00					300 000 00
[illegible] Advances to Employees		754 82					754 82
[illegible] Construction Advances		55 00					55 00
[illegible] Term Investment Pool Principal							
STIP Accrued Interest Purchased							
[illegible] Inventory		241 251 96					241 251 96
Total Assets	$724 223 30	$4 851 633 69	$108 031 07	$128 781 99	$41 162 53	$67 858 95	$5 921 691 53

Liabilities							
Accounts Payable							
Inter Entity Loans Payable							
Accrued Support Expenditures		$ 522 171 07	$6 761 43	$9 243 53	$6 153 60		$544 329 63
Reserve for Deferred Accounts Receivable							
State Dated Warrants		1 001 40		77 41			1 078 81
Receipts Collected in Advance							
Uncleared Collections		3 288 00					3 288 00
Long Term Liabilities		3 093 000 00					3 093 000 00
Reserve for Warehouse Inventory		241 251 96					241 251 96
Total Liabilities	0	3 860 712 43	6 761 43	9 320 94	6 153 60	0	3 882 948 40

Fund Balance							
Fund Balance General	724 223 30	(449 499 10)	83 175 15	25 741 72	35 004 60	(4 646 24)	411 999 43
Reserve for Continuing Appropriations		463 150 31		88 368 99		30 000 00	1 081 519 30
Reserve for Restricted Appropriations		477 270 05	18 094 49	7 350 34	4 33	42 505 19	545 224 40
Total Fund Balance	724 223 30	990 921 26	101 269 64	119 461 05	35 008 93	67 858 95	2 038 743 13
Total Liabilities and Fund Balance	$724 223 30	$4 851 633 69	$108 031 07	$128 781 99	$41 162 53	$67 858 95	$5 921 691 53

DEPARTMENT OF FISH AND GAME

Federal and Private Revenue Funds
Balance Sheet
June 30, 1977

Exhibit C

	Parks FPRA	F & G FPRA	Motorboat FPRA	Recreation FPRA	Total Federal & Private Revenue Fund
—Assets—					
Cash Change Fund					
Cash Revolving Fund					
Cash in State Treasury	$34 049 46	$114 003 88	$69 883 56	$88 544 25	$306 481 17
Deferred Accounts Receivable	49 315 37	497 000 22		117 143 44	663 459 03
Dishonored Checks					
Inter-Entity Loans Receivable					
Expense Advances to Employees					
Capital Construction Advances					
Short-Term Investment Pool Principal					
STIP Accrued Interest Purchased					
Warehouse Inventory					
Total Assets	$83 364 85	$611 004 10	$69 883 56	$205 687 69	$969 940 20
—Liabilities—					
Accounts Payable					
Inter Entity Loans Payable		$300 000 00			$300 000 00
Accrued Support Expenditures		118 687 25	$1 408 58	$396 94	120 492 77
Reserve Deferred Accounts Receivable					
Acct Stale Dated Warrants		374 43			374 43
Receipts Collected in Advance					
Uncleared Collections					
Long-Term Liabilities					
Reserve Warehouse Inventory					
Total Liabilities	0	419 061 68	1 408 58	396 94	420 867 20
Fund Balance					
Fund Balance General	(285 004 15)	(787 132 44)	67 614 86	(418 150 13)	(1 422 671 86)
Reserve for Continuing Appropriations	368 369 00	337 356 23		599 306 37	1 305 031 60
Reserve for Reverted Appropriations		641 718 63	860 12	24 134 51	666 713 26
Total Fund Balance	83 364 85	191 942 42	68 474 98	205 290 75	549 073 00
Total Liabilities and Fund Balance	$83 364 85	$611 004 10	$69 883 56	$ 205 687 69	$969 940 20

DEPARTMENT OF FISH AND GAME

Federal and Private Grant Clearance Funds
Balance Sheet
June 30, 1977

Exhibit D

—Assets—	Recreation FPGCA	F & G FPGCA	Total Federal & Private Grant Clearance Fund
Cash Change Fund			
Cash Revolving Fund			
Cash in State Treasury	$102 826 82	$587 283 00$_3$	$690 109 82
Deferred Accounts Receivable	99 611 29		99 611 29
Dishonored Checks			
Inter-Entity Loans Receivable			
Expense Advances to Employees			
Capital Construction Advances			
Short-Term Investment Pool-Principal			
STIP Accrued Interest Purchased			
Warehouse Inventory			
Total Assets	$202.438 11	$587.283.00	$789.721.11
—Liabilities—			
Accounts Payable	$16.939 39		$16,939 39
Inter-Entity Loans Payable			
Accrued Support Expenditures			
Reserve Deferred Accounts Rec$_4$			
Account Stale-Dated Warrents		$1.268 00	1.268 00
Receipts Collected in Advance		323.055 00	323.055 00
Uncleared Collections		262.960 00$_3$	262.960 00
Long-Term Liabilities			
Reserve Warehouse Inventory			
Total Liabilities	16,939.39	587.283.00	604.222.39
Fund Balance			
Fund Balance General	185 498 72		185 498 72
Reserve for Continuing Appropriations			
Reserve for Reverted Appropriations			
Total Fund Balance	185,498.72	-0-	185.498.72
Total Liabilities and Fund Balance	$202.438.11	$587.283.00	$789,721 11

DEPARTMENT OF FISH AND GAME

Statement of Estimated Revenue Compared to Actual Revenue and Appropriations Compared to Actual Expenditure

All Funds

For Fiscal Year Ending June 30, 1977

EXHIBIT E

	General Fund		Earmarked Funds		Federal & Private Revenue Funds		Federal & Private Grant Clearance Fund		Bond Proceeds & Insurance Fund		Trust & Legacy Fund	
—Revenue—	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Licenses and Permits			$7,280,000 00	$7,178,803 44		$ 35 00						
Taxes			664 657 00	678 241 94							$477 478 00	$448,825 68[5]
Fees			135,000 00	146 808 64								
Interest												30,756 33
Fines			115,000 00	106,041 50								
Reimbursements		$ 1,714 62[4]		21 338 12		6 161 28						
Sales			125,000 00	141,577 11		27,875 20						
Leases and Rentals			81,000 00	82 287 45		1,720 00						
Miscellaneous				2,626 75								01[4]
Grants and Donations				17,737 10		60,743 37						
Transfers						8,000 00						
Federal Assistance					$4 652 315 00	5,083,389 04	$2,610 000 00	$2,104,933 25[4]				
Legislative Appropriation	$487 917 00	487 917 00										
Prior Year Adjustments				9,388 48		42,048 10						
Total Revenues	487,917.00	489,631.62	8,400,657.00	8,384,852.53	4,652,315.00	5,229,971 99	2,610,000.00	2,104,933 25	-0-	-0-	477,478.00	479,582 02
—Expenditures—												
Centralized Services			1,537,483 00	1,496,998 79	86,855 00	60,298 20						
Environment and Information			980,829 00	951,813 70	475,924 00	378,944 44						
Fisheries			1,329,322 00	1,123,467 96	507,750 00	485,252 12						
Law Enforcement			2,088,519.00	2,053,629 94	68,276 00	64,388 11						
Game Management			1,099,853 00	998,902 09	1,660,570 00	1,216,242 88						
Recreation and Parks	487,917 00	479,187 10	802,750 00	710,714 61	37 500 00	37,465 37						
Planning			71,463 00	61,156 02	92 502 00	57,657 36						
Capital Outlay			2,905,959 01	1,792,751 20	4,820 471 36	3,477,855 02		1,995,256 94				
Prior Year Adjustments		58 41		119,839 14		363,734 11						
Total Expenditures	487,917 00	479,245.51	10,816,178.01	9,309,273.45	7,749,848 36	6,141,837.61	-0-	1,995,256.74	-0-	-0-	-0-	-0-
Excess (Deficiency) of Revenue over Expenditures	$ -0-	$10,386.11	$(2,415,521.01)	$(924,420 92)	$(3,097,533.36)	$(911,865 62)	$2,610,000.00	$109,676.31	$ -0-	$ -0-	$477,478.00	$479,582 02

DEPARTMENT OF FISH AND GAME

Earmarked Revenue Funds
Statement of Estimated Revenue Compared to Actual Revenues and Appropriations Compared to Actual Expenditures
For the Fiscal Year Ending June 30, 1977

Exhibit F

	Coal Tax ERA 02036		Fish & Game ERA 02131		Parks Misc ERA 02204		Park ERA 02205		Motor Boat ERA 02206		Snowmobile ERA 02207		Total Earmerked Revenue Funds	
Revenues	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Licenses and Permits			$7,200,000 00	$7,103,688 88					$35,000 00	$40,749 52	$45,000 00	$34,365 04	$7,280,000 00	$7,178,803 44
Taxes	$447,478 00	448,825 68					$217,179 00	$229,416 26					664,657 00	678,241 94
Fees					$135,000 00	$146,808 64							135,000 00	146,808 64
Interest														
Fines			115,000 00	102,211 00						3,830 50			115,000 00	106,041 50
Reimbursements				21,338 12										21,338 12
Sales			125,000 00	140,509 42		1,067 69							125,000 00	141,577 11
Leases and Rentals			50,000 00	38,081 45	31,000 00	44,206 00							81,000 00	82,287 45
Miscellaneous		01		2,628 74										2,628 75
Grants and Donations				17,737 10										17,737 10
Prior Year Adjustments				9,388 48										9,388 48
Total Revenue	**447,478.00**	**448,825 69**	**7,490,000.00**	**7,435,583 19**	**166,000.00**	**192,082.33**	**217,179.00**	**229,416.28**	**35,000.00**	**44,580 02**	**45,000.00**	**34,365.04**	**8,400,657.00**	**8,384,852.53**
Expenditures														
Centralized Services			1,537,483 00	1,496,998 79									1,537,483 00	1,496,998.79
Environment and Information			980,829 00	951,813 70									980,829 00	951,813 70
Fisheries			1,329,322 00	1,123,467 96									1,329,322 00	1,123,467 96
Law Enforcement			2,031,519 00	2,009,761 66					32,800 00	32,795 67	24,200 00	11,072 61	2,088,519 00	2,053,629 94
Game Management			1,099,853 00	998,902 09									1,099,853 00	998,902 09
Recreation and Parks			418,495 00	381,282 24	164,092 00	145,997 51	190,163 00	182,812 66			30,000 00	622 20	802,750 00	710,714 61
Planning			71,463 00	61,156 02									71,463 00	61,156 02
Capital Outlay			2,768,459 01	1,773,620 19	7,500 00	7,500 00	100,000 00	11,631 01			30,000 00		2,905,959 01	1,792,751 20
Prior Year Adjustments				113,555 27		1,199 49		5,084 38						119,839 14
Total Expenditures	**-0-**	**-0-**	**10,237,423.01**	**8,910,557.92**	**171,592.00**	**154,697.00**	**290,163.00**	**199,528.05**	**32,800.00**	**32,795.87**	**84,200.00**	**11,694 81**	**10,816,178.01**	**9,309,273.45**
Excess (Deficiency) of Revenue Over Expenditures	**$447,478.00**	**$448,825.69**	**$(2,747,423.01)**	**$(1,474,974.73)**	**$(5,592.00)**	**$37,385.33**	**$(72,984.00)**	**$29,888.21**	**$2,200.00**	**$11,784.35**	**$(39,200.00)**	**$22,670.23**	**$(2,415,521.01)**	**$(924,420.92)**

DEPARTMENT OF FISH AND GAME

Federal & Private Revenue Funds
Statement of Estimated Revenue Compared to Actual Revenue and Appropriations Compared to Actual Expenditures
For the Fiscal Year Ending June 30, 1977

Exhibit G

	Parks FPRA 04186		Fish & Game FPRA 04522		Motorboat FPRA 04820		Recreation FPRA 04940		Total Federal & Private Revenue Funds	
—Revenue—	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Licenses and Permits				$ 35.00						$ 35.00
Reimbursements				6,098.78				$ 62.50		6,161.28
Sales		$ 1,500.00		25,275.20				1,100.00		27,875.20
Leases and Rentals				1,720.00						1,720.00
Grants and Donations				60,743.37						60,743.37
Transfers				8,000.00						8,000.00
Federal Assistance	$110,000.00	70,171.28	$2,661,000.00	3,148,321.40	$61,315.00	$61,315.00	$1,820,000.00	1,803,581.36	$4,652,315.00	5,083,389.04
Prior Year Adjustments		23,828.10		18,220.00						42,048.10
Total Revenue	110,000.00	95,499.38	2,661,000.00	3,268,413.75	61,315.00	61,315.00	1,820,000.00	1,804,743.86	4,652,315.00	5,229,971.99
—Expenditures—										
Centralized Services			30,411.00	27,954.08			56,444.00	32,344.12	86,855.00	60,298.20
Environment and Information			475,924.00	378,944.44					475,924.00	378,944.44
Fisheries Management			507,750.00	485,252.12					507,750.00	485,252.12
Law Enforcement			29,193.00	26,165.23	39,083.00	38,222.88			68,276.00	64,388.11
Game Management			1,660,570.00	1,216,242.88					1,660,570.00	1,216,242.88
Recreation and Parks							37,500.00	37,465.37	37,500.00	37,465.37
Planning			92,502.00	57,657.36					92,502.00	57,657.36
Capital Outlay	380,000.00	11,631.00	1,019,911.36	644,970.39			3,420,560.00	2,821,253.63	4,820,471.36	3,477,855.02
Prior Year Adjustments				362,476.85				1,257.26		363,734.11
Total Expenditures	380,000.00	11,631.00	3,816,261.36	3,199,663.35	39,083.00	38,222.88	3,514,504.00	2,892,320.38	7,749,848.36	6,141,837.61
Excess (Deficiency) of Revenue over Expenditures	$(270,000.00)	$83,868.38	$(1,155,261.36)	$68,750.40	$22,232.00	$23,092.12	$(1,694,504.00)	$(1,087,578.52)	$(3,097,533.36)	$(911,865.62)

DEPARTMENT OF FISH AND GAME

Statement of Changes in Fund Balances
All Funds
For the Fiscal Year Ending June 30, 1977

Exhibit H

	General Fund	Earmarked Revenue Funds	Federal & Private Revenue Funds	Federal & Private Grant Clearance Funds	Bond Proceeds & Insurance Fund	Trust & Legacy Fund
Balances (Deficit) July 1 1976	$(37 792 05)	$2 216 258 58	$(1 753 340 19)	$75,822 41	$6,110 99	$278 725 75
Excess (Deficiency) of Revenue over Expenditures	10 386 11	(924 420 92)	(911,865 62)	109 676 31	-0-	479 582 02
Balances (Deficit) June 30, 1977	**$(27 405 94)**	**$1,291,837 66)**	**$(2,665,205 81)**	**$185,498 72**	**$6,110 99**	**$758,307 77**

DEPARTMENT OF FISH AND GAME

Statement of Changes in Fund Balance
Earmarked Funds
For the Fiscal Year Ending June 30, 1977

Exhibit I

	Coal Tax ERA 02036	Fish & Game ERA 02131	Parks Misc ERA 02204	Parks ERA 02205	Motorboat ERA 02206	Snowmobile ERA 02207	Total Earmarked
Balances (Deficit)July 1, 1976	$275,397.61	$1,731,772.99	$56,802.30	$83,872.38	$23,224.58	$45,188.72	$2,216,258.58
Excess (Deficiency) of Revenue over Expenditures	448,825.69	(1,474,974.73)	37,385.33	29,888.21	11,784.35	22,670.23	(924,420.92)
Balances (Deficit) June 30,1977	**$724,223.30**	**$256,798.26**	**$94,187.63**	**$113,760.59**	**$35,008.93**	**$67,858.95**	**$1,291,837.66**

DEPARTMENT OF FISH AND GAME

Statement of Changes in Fund Balance
Federal & Private Revenue Funds
For Fiscal Year Ending June 30, 1977

Exhibit J

	Parks FPRA 04186	Fish & Game FPRA 04522	Motorboat FPRA 04820	Recreation FPRA 04940	Total FPRA Funds
Balances (Deficit) July 1, 1976	$(5,884.98)	$(848,534.81)	$45,382.86	$(944,303.26)	$(1,753,340.19)
Excess (Deficiency) of Revenue over Expenditures	83,868.38	68,750.40	23,092.12	(1,087,576.52)	(911,865.62)
Balances (Deficit) June 30, 1977	$77,983.40	$(779,784.41)	$68,474.98	$(2,031,879.78)	$(2,665,205.81)

DEPARTMENT OF FISH AND GAME

Statement of Expenditures by Program and Source of Funds For Fiscal Year Ended June 30, 1977

Exhibit K

Code	Expenditure	01 Centralized Services	02 Environment & Inform	03 Fisheries Mgt	04 Law Enforcement	05 Game Mgt	06 Recreation & Parks	07 Planning	11 Capital Outlay	Prior Year Adjust	Grand Total
1000	Personal Services	$828 740 77	$819 875 28	$1 142 161 15	51 564 437 55	$1,248 048 23	$817 969 94	$86 692 95			$6 507 925 87
2000	Operating Expenses	211 867 35	487 634 82	453 241 45	516 844 42	883 454 05	388 560 55	31,251 31	9 522 41		2 982 376 36
3000	Equipment	305 980 36	23 248 04	13 277 48	36 736 08	40 181 88	17 551 98	869 12	124 65		437 969 59
4000	Capital Outlay	11 132 95		40 00		375 33	3 284 61		3 747 171 21		3 762 004 10
6000	Grants	199 575 56				43 085 48			359 964 16		602 625 20
8000	Transfers								3 149 080 73		3 149 080 73
	Prior Year Adjustments									483 514 84	483 514 84
Total Program (Exhibit E)		$1 557 296 99	$1,330 758 14	$1,608 720 08	$2,118 018 05	$2,215 144 97	$1,227,367 08	$118,813 38	$7,265,863 16	483 514 84	$17,925 496 69
Source of Funds											
01100	General Fund						$479 187 10			$(58 41)	$479,128 69
02131	Fish & Game ERA	$1 496 998 79	$951 813 70	$1 123 467 96	$2 009 761 66	$998 902 09	381,282 24	$61 156 02	$1 773 620 19	113,555 27	8,910 557 92
02204	Parks Misc ERA						145 997 51		7 500 00	1 199 49	154 697 00
02205	Parks ERA						182,812 66		11 631 01	5 084 38	199 528 05
02206	Motorboat ERA				32 795 67						32,795 67
02207	Snowmobile ERA				11 072 61		622 20				11 694 81
04186	Parks FPRA								11 631 00		11,631 00
04522	Fish & Game FPRA	27 954 08	378,944 44	485 252 12	26 165 23	1 216,242 88		57 657 36	644 970 39	362 476 85	3,199 663 35
04820	Motorboat FPRA				38,222 88						38,222 88
04940	Recreation FPRA	32 344 12					37,465 37		2 821 253 63	1,257 26	2 892 320 38
05024	Recreation FPGCA								1 995 256 94		1 995 256 94
06023	Fish & Game BPICA										
Total Source of Funds		$1 557,296 99	$1,330,758 14	$1,608,720 08	$2,118,018 05	$2,215,144 97	$1,227,367 08	$118,813 38	$7,265,863 16	$483,514 84	$17,925,496 69

DEPARTMENT OF FISH AND GAME

Exhibit

Detailed Report on Hunting, Fishing and Miscellaneous License Sales For Fiscal Year Ended June 30, 1977

HUNTING AND FISHING LICENSES	NUMBER	SALES LESS COM
Resident Sportsman	2 150	$ 74 868 60
Resident Conservation	162 543	224 071 45
Resident Fishing	177 562	861 485 90
Resident Bird - Adult	56 739	118 238 70
Resident Bird - Youth	4 551	8 443 95
Nonresident Conservation	106 454	90 883 70
Nonresident 1 Day Fishing	163 845	303 511 50
Nonresident 6-Day Fishing	70 871	205 648 35
Nonresident Season Fishing	13 066	259 412 90
Nonresident Bird	1 775	53 021 55
Elk - Adult	68 630	538 800 35
Elk - Youth	5 181	9 603 50
Deer - A - Adult	103 016	603 666 45
Deer - A - Youth	9 801	18 170 55
Deer - B - Adult	25	121 25
Deer - B - Youth	-2	-4 70
Resident and Nonresident Turkey	3 156	5 956 35
Nonresident Big Game	12 373	2 783 925 00
Bow and Arrow	7 985	46 716 15
Pioneer and Conservation	16	4 45
Resident Grizzly	451	11 275 00
Duplicates	3 396	3 396 00
Pioneer	65	9 75
Nonresident Grizzly	75	9 375 00
Resident Sheep	669	16 725 00
Nonresident Sheep	295	36 875 00
Nonresident Bird and Fish	1 355	67 750 00
Nonresident Black/Brown Bear	40	2 057 60
Resident Antelope	25,087	125 435 00
Nonresident Antelope	2 080	104 000 00
Nonresident Deer	1,011	50 550 00
Resident Goat	507	7 605 00
Nonresident Goat	39	2 925 00
Resident Moose	698	17,450 00
Nonresident Moose	19	2 375 00
Duplicate - Special	112	112 00
Grizzly Trophy	11	275 00
Resident Black/Brown Bear	7 630	44 665 50
Resident Mountain Lion	565	2 825 00
Nonresident Mountain Lion	82	2 050 00
Nonresident Spring Bear	474	16 590 00
Non Game Certificate	163	815 00
Elk/Deer Permit Fee	37 861	37 851 40
TOTAL HUNTING AND FISHING	**1,102,423**	**$6 870,032 30**

MISCELLANEOUS LICENSES	NUMBER	SALES LESS COM
Season Camping Permits	2 417	$ 24 170 00
$1 Overnight Camping Permits	12 254	12 254 00
$2 Overnight Camping Permits	17 513	35 026 00
General Trapper	2 063	20 630 00
Landowner Trapper	112	312 00
Resident Fur Dealer	109	1 090 00
Fur Dealer Agent	31	310 00
Nonresident Fur Dealer	19	950 00
Taxidermist	89	1 335 00
Minnow Seining	38	380 00
Commercial Beaver Tags	—	—
Falconer Permits	73	219 00
Resident Outfitter	446	22 300 00
Nonresident Outfitter	3	450 00
Resident Professional Guide	537	8 055 00
Nonresident Professional Guide	2	200 00
Shooting Preserve	2	100 00
Zon Permit	5	50 00
TOTAL MISCELLANEOUS	**35,913**	**$127 831 00**
TOTAL HUNTING FISHING AND MISCELLANEOUS SALES		**$6,997,863 30**

Department of Fish and Game

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDING JUNE 30, 1977

(1) Cash in State Treasury reflects $238,012.00 in sales of licenses and permits that were on hand but not processed through SBAS or deposited as of June 30, 1977

(2) Amount represents the existing unfunded liability to the Montana Game Warden's Retirement System in accordance with the actuarial valuation as of June 30, 1976.

(3) Cash in State Treasury reflects $262,960.00 in sales of special drawing licenses, classified as uncleared collections, that were on hand but not processed through SBAS or deposited as of June 30, 1977.

(4) Reserves for Deferred Accounts Receivable in the amount of $766,771.51 were recorded as Revenue, for financial statement purposes, in accordance with the statement of position No. 75-3, dated July 31, 1975, as a proposed amendment to the AICPA Industry Audit Guide on Audits of State and Local Governmental Units.

(5) Amounts represent monies received by the Dept. of Revenue from the 2½% severance tax on coal mined in accordance with Chapter 14, Section 84-1319, R.C.M. 1947. Funds received shall be used for the purpose of acquisition of sites, areas, and parks under Chapter 3, Section 62-304.

In the interest of full disclosure of all financial information, this revenue is included, for financial statement purposes, since the Department, under HB791, Chapter 417, Section 13, has been expressly designated the responsibility for the administration of Section 62-304 and the funds received therefrom.

GENERAL COMMENTS TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING JUNE 30, 1977

Methods of Accounting:
The financial statements are stated on a modified accrual basis of accounting by recording expenditures on the basis of the legal obligation to purchase goods or services and revenue being recorded when it is received and is in accordance with the AICPA Industry Audit Guide for governmental units

General Fixed Assets:
The financial statements do not reflect the cost of general fixed assets. The Statewide Budgeting and Accounting System does not presently account for these assets as a separate group of accounts. However, the department is maintaining a vehicle cost accounting system and is developing a statewide fixed asset accountability program.

Vacation and Sick Leave Pay:
Liabilities incurred due to unused vacation or sick leave pay by employees are not recorded in the financial statements. These expenditures are recorded only when they are paid.

Retirement Plans:
All department employees are covered by Social Security (F.I.C.A.) and either the Public Employees Retirement System or the Game Wardens' Retirement System. All plans are contributory retirement plans that involve matching amounts by the employee and the Department. In order to control the unfunded liability in the Wardens' Retirement System, the Department has increased its matching share from 7% to 11%, making the combined employer-employee share 18%. This percentage is about the absolute minimum rate for reasonable financing of the System according to the actuarial assumptions employed in the valuation of the plan.

Investments:
Funds invested in the coal tax trust accounts are valued at cost. Present market value of the investments is $763,289.28.

Contingent Liabilities:
An unknown contingent liability exists or may exist regarding an appeal to the U.S. Supreme Court pertaining to the constitutionality of the hunting license fees charged to non-residents. This case has been placed on the Supreme Court docket for future consideration.

An unknown contingent liability exists concerning the alleged breach of contract between the Department and Link Brothers Concessionaries, at the Lewis and Clark Caverns State Park. This case is scheduled to be heard in Helena District Court, in October 1977.

AGENCY REPLIES

STATE OF MONTANA

DEPARTMENT OF

FISH AND GAME
Helena, MT 59601
July 27, 1978

MONTANA LEGISLATIVE

Morris L. Brusett, Legislative Auditor
Office of the Legislative Auditor
State Capitol Building
Helena, MT 59601

Dear Mr. Brusett:

We have reviewed the audit report and recommendations prepared by the Legislative Auditor for the fiscal year ending June 30, 1977.

Our response to recommendations is attached.

Sincerely,

Robert F. Wambach, Director
Department of Fish and Game

LEP/sg

attachment

Response to Report on Examination of Financial Statements
Department of Fish and Game
Fiscal Year Ended June 30, 1977

1. A. Recommendation:
We recommend that the department record all financial activity and balances on SBAS.

B. Agree.

C. Corrective Action:
Warehouse inventory was recorded on SBAS as an asset in FY 78. Also, the Game Warden's Retirement System liability was booked on SBAS at FY 78 year-end as an adjustment.

Fish and Game in cooperation with the Department of Administration, has established a special control account in SBAS for the deposit of cash at year-end.

2. A. Recommendation:
We recommend that the department centralize the accounts receivable function and record all receivables in the accounting records.

B. Agree.

C. Corrective Action.

Implementation of this recommendation will require one additional FTE in the accounting section which will be extremely difficult to obtain under the Governor's hiring freeze.

3. A. Recommendation:
We recommend that the department:
1. Separate the mail opening, cashiering, and document approval functions for cash receipts.

3. A. Recommendation (Continued)

2. Restrictively endorse all checks as the mail is opened.
3. Safeguard all cash receipts in the custody of the cashier.

B. Agree.

C. Corrective Action:

1. These duties will be separated (see recommendation 5, item 1.)
2. (See recommendation 5, item 1).
3. Already corrected. Keys to the vault are now kept only by the head cashier, chief accountant, and during the license processing period, the Special Licensing Supervisor. These personnel have been instructed to keep keys to the vault in their personal possession at all times.

4. A. Recommendation:

We recommend that the department:

1. Separate all cash items from license applications before those applications are processed.
2. Investigate the use of a validator to count and record the dollar amount accompanying applications.

B. Agree.

C. Corrective Action:

Fish and Game is currently exploring several types of equipment that could be utilized in 1979 to count and record the dollar amounts accompanying drawing applications. This would allow the Department to separate checks and cash from drawing applications prior to processing. This equipment, however, is expensive.

5. A. Recommendation:

We recommend that the department:

1. Establish a centralized mail opening function to separate

5. A. Recommendation (Continued)

1. (continued) cash items and send them directly to the cashier.
2. Request all checks be made payable to the Montana Department of Fish and Game.
3. Provide an audit trail of all collections by source of funds and include this documentation with collection reports.

B. Agree.

C. Corrective Action:

1. All mail will be opened and all checks restrictively endorsed and sent directly to the cashier.
2. Wherever possible, the Department will request that checks be made payable to the Montana Department of Fish and Game. In addition, the attorney and land agent will be advised to include a statement on all contracts that reimbursements must be made payable to the Department of Fish and Game and sent directly to the cashier.
3. A brief explanation will be provided in Fish and Game backup files.

6. A. Recommendation:

We recommend that the department:

1. Record gross license revenues and the associated commission expense.
2. Record all revenue refunds as refunds rather than revenue abatements.
3. Record CETA employees' salaries as income instead of expenditure abatements.
4. Require regional offices to remit deposit tickets and remittance advices in a timely manner.

6. B. Agree.

C. Corrective Action:

1. License agent commissions will be recorded as a nonbudgeted year-end adjustment in FY 79.

2. Already corrected. This procedure has been implemented and is working, other than possible clerical error.

3. Already corrected. This practice was discontinued in October, 1977.

4. Already corrected. See attached memo to Regional Supervisors.

7. A. Recommendation:
We recommend that the department accrue revenue in accordance with generally accepted accounting principles and apply those principles consistently.

B. Disagree.

C. Corrective Action:
As the audit report noted, the AICPA audit guide and GAAFR conflict. One says revenue should be recognized at the time of expenditure. The other indicates revenue received from other governmental agencies should be recognized. The Department of Administration indicates accrual of revenue is optional for state agencies. Fish and Game would appreciate clarification of Montana Operations Manual, Section 2-0240.40 by the Department of Administration before implementing this recommendation.

8. A. Recommendation:
We recommend that the department:

1. Accrue only those purchase orders which meet accrual guidelines.

2. Establish purchase orders after June 1, only when the goods can be received and consumed by fiscal year-end.

B. Agree.

8. C. Corrective Action:

Already corrected. Volume of accrued purchase orders was reduced considerably in FY 78 and were reviewed to meet accrual guidelines.

9. A. Recommendation:

We recommend that the department discontinue the policy of paying moving expenses for retired personnel or seek statutory authority for this policy.

B. Agree.

C. Corrective Action.

Fish and Game will request a legal opinion from our attorney as to whether the past Commission policy of paying the moving expenses of retiring employees is a binding contract and, based on our attorney's opinion, either revise the present policy or seek statutory authority, if necessary, to pay such expenses.

10. A. Recommendation:

We recommend that the department:

1. Retain outside legal counsel only to obtain specific expertise not available within the department's staff.
2. Develop expertise in its legal staff to meet recurring departmental needs.

B. Agree.

C. Corrective Action:

Fish and Game has been attempting to comply with both these recommendations for many years. For this department a retained law firm has provided experience, general legal advice and continuity for the Fish and Game staff. In recent years this method of supplying legal needs has been supplemented by staff counsel and other retained counsel in such complex legal areas as Indian law, land matters, and litigation at the U.S. Supreme Court level. Expansion of the department's legal needs has increased significantly since 1974. However expansion of the full time legal staff would be extremely difficult under the present hiring freeze.

11. A. Recommendation:

We recommend that the department:

1. Require each employee to submit a separate travel expense voucher.

2. Establish proper field review procedures for all travel claims.

B. Agree.

C. Corrective Action:

1. Already corrected. Montana Outdoors employees no longer submit a travel voucher by one employee for mileage expenses for several employees.

2. Proper field review procedures for travel claims has been reemphasized to Fish and Game field personnel

12. A. Recommendation:

We recommend that the department:

1. Establish policies and procedures to ensure all field purchases over a specified dollar amount are approved by supervisors.

2. Review completed purchase order books to ensure that purchases are approved by supervisors.

B. Agree.

C. Corrective Action:

1. Already corrected.

2. Spot checking signatures on regional purchase orders, reviewing completed purchase order books, and maintaining an authorized signature file will require one-half additional FTE in the Claims Section. Implementation of this recommendation will be extremely difficult due to the Governor's hiring freeze and cost benefit is somewhat questionable.

13. A. Recommendation:

We recommend that the department review all project reimbursable costs before projects are finalized to ensure that all costs allowable for reimbursement have been submitted to the U. S. Fish and Wildlife Service.

B. Agree.

C. Corrective Action:

Already corrected. A procedure has been implemented for the Chief Accountant to review all U. S. Fish and Wildlife Service contracts before final billing to ensure all allowable costs are claimed.

14. A. Recommendation:

We recommend that the department:

1. Obtain indirect cost negotiation agreements for all federal grant programs.
2. Allocate indirect costs per indirect cost negotiation agreements on all projects to record total costs associated with each project.

B. Partially Agree.

C. Corrective Action:

1. Cost negotiation agreements will be obtained. However, allocation of indirect costs, in some cases, simply reduces the total dollars available for direct use for fisheries, wildlife, or parks activities in the field. In these cases, minimal indirect cost rates or no indirect cost rate may be appropriate.

15. A. Recommendation:
We recommend that legislation be enacted amending Section 26-123, R.C.M. 1947, to allow expenditures from all department funds.

B. Agree.

C. Corrective Action:
Already corrected. Draft legislation has been prepared for consideration by the 1979 Legislature.

16. A. Recommendation:
We recommend that the department:

1. Deliver pre-payrolls and payroll status forms directly to the Central Payroll Division of the State Auditor's Office after the forms are approved.
2. Provide for distribution of payroll warrants by someone other than the payroll supervisor.
3. Work with the State Auditor to develop payroll system modifications to provide division administrators and regional supervisors with a listing of the payroll transactions charged to their divisions or regions.

B. Agree.

C. Corrective Action:

1. Already corrected. Payroll status forms and pre-payrolls are now delivered directly to central payroll by an employee other than a payroll clerk or the payroll supervisor.
2. Already corrected. Since March, 1978, employees other than

16. C. Corrective Action (Continued)

2. (continued) the payroll supervisor have distributed and mailed warrants.

3. Fish and Game will provide listings of payroll transactions charged to regions and divisions whenever such listings are made available through central payroll and/or SBAS.

17. A. Recommendation:
We recommend that the department provide for signing of payroll status forms by employees and appropriate administrators.

B. Partially Agree.

C. Corrective Action:
The payroll status form is not designed for a field operation spread across the State of Montana like Fish and Game. The present payroll procedure is to propose hiring, promotion, or transfer of employees with an internal payroll authorization form. Many payroll authorization forms are disapproved, (i.e., lack of funding, promotion request turned down, etc.), If the payroll authorization form is approved by Regional Supervisors in the field and either the Deputy Director or Associate Director, a payroll status form is prepared in Helena by the payroll section. It would be extremely cumbersome to send the payroll status form back to the field to get the employees' signature. Fish and Game will send copies of payroll status forms to each affected employee.

All payroll status forms are now approved by the Bureau Chief/ Accounting and Finance or an accountant.

18. A. Recommendation:
We recommend that the department require that:
1. Time records be completed in ink.
2. Supervisors properly review and approve all time records.
3. The payroll supervisor obtain authorization for all adjustments to time reports and document the authority for all adjustments.

18. B. Agree.

C. Corrective Action:

1. Already corrected. All employees have been advised to complete timerolls in ink.

2. Already corrected. Fish and Game implemented a biweekly timeroll system in March, 1978. Supervisors review and approve timerolls before submission to Helena if at all possible. Volume of adjustments to payroll has reduced considerably. In addition, project coding has been reduced from about 1200 projects to about 300 projects for FY 79, making payroll coding easier with fewer human errors occuring.

3. Already corrected. The payroll supervisor has been requested to provide documentation for time report adjustments.

19. A. Recommendation:

We recommend that the department:

1. Require employees to fill out request for leave forms accurately and completely.

2. Allow employees to take compensatory time off only when they have compensatory time balances.

B. Agree.

C. Corrective Action:

1. Already corrected. Proper leave of absence procedures have been emphasized to supervisors.

2. Already corrected. Employees are not allowed to have negative leave balances.

20. A. Recommendation:

We recommend that the department:

1. Establish and maintain general ledger control over warehouse inventory.

20. A. Recommendation (Continued)

2. Reconcile purchases and sales per WIS with SBAS.

3. Produce a report disclosing all adjustments to the warehouse inventory.

4. Require management approval for warehouse adjustments.

5. Segregate the duties of receiving inventory and authorizing payments for purchases.

6. Have nonwarehouse personnel conduct the annual inventory.

7. Review and evaluate the effectiveness and need for the warehouse.

B. Agree with recommendations 1,2,3,4,5, and 7. Disagree with recommendation 6.

C. Corrective Action:

1. Warehouse inventory will be recorded in a revolving fund in FY 79 and properly recorded as an asset.

2. Reconciliations per WIS with SBAS will be accomplished for FY 78. Implementation of recommendations 1 and 2 will require retention of a year-round half time FTE in the vehicle/warehouse inventory section which may be extremely difficult under the Governor's hiring freeze.

3. This adjustment report will be produced if computer programming budget is available.

4. Already corrected. Adjustments are reviewed by the Bureau Chief/Accounting and Finance and/or the Administrator/ Centralized Services.

5. Already corrected. Payments for purchases are authorized

20. C. Corrective Action (continued)

5. (continued) in the claims section and inventory is received and verified at the warehouse.

6. Disagree. Having warehouse staff conduct the annual inventory is the only practical method of accomplishing this task. For FY 78, the Bureau Chief/Accounting and Finance and the Administrator/ Centralized Services completed after-the-fact verification of counts on a spot check basis. Fish and Game views these procedures as adequate control.

7. Already completed. A review and evaluation of the warehouse was completed by Galusha, Higgins, and Galusha in July, 1978.

21. A. Recommendation:

We recommend that the department:

1. Account for vehicles in a revolving fund.
2. Adjust depreciation and replacement differential charges to allow only for cost recovery.
3. Consider accounting for all vehicles in the vehicle accounting system.
4. Review vehicle reports for mathematical accuracy.
5. Develop a system to ensure that vehicle reports are submitted on a timely basis.

B. Agree.

C. Corrective Action:

1. A revolving fund will be established for FY 79.
2. The vehicle system program will be rewritten for 1979 activities.
3. The Department has considered accounting for all vehicles in the vehicle accounting system and rejected the idea. Special use vehicles are not driven very many miles and using a mileage charge to prorate costs to projects is not practical. Special use vehicles are usually expensed directly to projects. This method, in Fish and Game's view, is most practical and accurate.
4. Already corrected. Adequate implementation of recommendations 1,2,4, and 5 will require retention of a year-round half time FTE in vehicle/warehouse inventory which may be extremely difficult under the Governor's hiring freeze. (See also 20.C.2.)

21. C. Corrective Action (continued)

5. Already corrected.

22. A. Recommendation:

We recommend that the department recognize Montana Outdoors revenue using the accrual basis of accounting.

B. Agree.

C. Corrective Action:

Already corrected for FY 78.

23. A. Recommendation:

We recommend that the department disclose "unearned revenue" as a liability in the financial statements.

B. Agree.

C. Corrective Action:

SBAS documents designed to correct this item were prepared at fiscal year end in FY 78 and rejected due to insufficient current year cash basis revenue recorded. In FY 79 this problem should be corrected.

24. A. Recommendation:

We recommend that the department implement procedures to accurately assess billings from the subscription service.

B. Agree.

C. Corrective Action:

Already corrected. A new editor for Montana Outdoors was hired in May, 1978. He is carefully reviewing subscription fulfillment service billings for correctness and ensuring they are in accordance with the subscription fulfillment contract.

25. A. Recommendation:

We recommend that the department:

1. Separate the duties for newsstand sales to achieve strong internal control.
2. Maintain detailed records for each newsstand dealer.
3. Bill newsstand dealers for each issue.
4. Only allow credit for unsold issues after the magazines are returned.
5. Require that all payments be made to the department cashier and deposited directly with the state treasury.

B. Agree with recommendations 1,2,4, and 5. Partially agree with recommendation 3.

C. Corrective Action:

1. Already corrected. Since November, 1977, an accountant in Centralized Services has performed the billing function and kept the accounting records. Sales are now initiated by the Editor at Montana Outdoors. Duties are now separated.

2. Already corrected. Detailed records of magazines consigned, numbers returned, and amount owed have been maintained since November, 1977.

3. Already corrected. Newsstands are billed every other month, after consignments of each magazine are made. Newsstands are not billed for each issue separately. They are billed for the net of issues consigned less returns.

4. Already corrected. Since November, 1977, credit for unsold magazines is given only when covers are returned to Fish and Game.

5. Already corrected. Since November, 1977, Fish and Game has required all newsstand account payments be made directly to the cashier.

26. A. Recommendation:

We recommend that the department:

1. Reconcile the total print run for each issue to magazine usage.
2. Require proper approval for promotion and other free distributions.

B. Partially agree with recommendation 1. Agree with recommendation 2.

C. Corrective Action:

1. The Editor/Montana Outdoors now reconciles each print run for the magazine. However, overages or shortages by the printer in each box of magazines makes exact reconciliation impossible. Reconciliation of the print run will be accomplished for each issue for the purpose of detecting material discrepancies in distribution.

2. Already corrected. Promotional efforts and any free distributions are now reviewed.

27. A. Recommendation:

We recommend that the department develop a complete listing of all land owned, including cost.

B. Agree.

C. Corrective Action:

Implementation of this recommendation by the accounting department will require additional staffing which may be extremely difficult under the Governor's hiring freeze.

28. A. Recommendation:

We recommend that the department:

1. Develop a plan to fund the Game Wardens' Retirement System on a sound basis, and seek Legislation to adequately fund the system.

28. A. Recommendation (Continued)

2. Study alternatives to the current retirement system.

B. Agree.

C. Corrective Action:

1. $160,000 in budget authority will be requested from the 1979 Legislature for the next biennium to stop the growth of the unfunded pension liability. An actuarial report on the Game Wardens' Retirement System is scheduled for October, 1978, and actions regarding the system will be taken based on this report.

2. Alternatives to the Game Wardens' Retirement System will be explored. However, it is important to compare this retirement system with other law enforcement systems, such as the Montana Highway Patrol retirement system and Sheriff's Retirement System, rather than PERS.

29. A. Recommendation:

We recommend that the department:

1. Establish written procedures for the internal processing of applications and other procedures performed by the department's Special Licensing Section.
2. Request a current license drawing system user's manual from the Department of Administration, Information Systems Division.

B. Agree with recommendation 1. Partially agree with recommendation 2.

C. Corrective Action:

1. Already corrected. A written procedures manual was completed for the 1978 drawings. This manual will be revised and improved for the 1979 drawings.
2. Computer software support for the drawing system is scheduled to transfer from the Department of Administration, Information Systems Division, to Montana Systems Development, a private contractor,

29. C. Corrective Action (Continued)

2. (continued) in October, 1978. Montana Systems Development revising computer programs for the drawing system by 1980. A user's manual will be requested from Montana Systems Development on the new system.

30. A. Recommendation:
We recommend that the Department of Administration, Information Systems Division maintain adequate, up-to-date systems and programming documentation.

B. Department of Administration, Information System Division response required.

31. A. Recommendation:
We recommend that the department:
1. Establish balancing procedures for calculated amounts, batches, cash received, and species counts.
2. Modify the license and drawing system to eliminate the capability of changing original batch totals.
3. Balance license application batches prior to drawings.

B. Agree.

C. Corrective Action:
1. Already corrected. In 1978, original batch totals were not modified and batch integrity was maintained.
2. This will be scheduled for inclusion in the drawing rewrite for 1980.
3. Already corrected. This was done in 1978.

32. A. Recommendation:
We recommend that the department:
1. Establish adequate procedures for accepting and processing party applications.
2. Modify the license and drawing system to properly validate

32. A. Recommendation (Continued)

2. (continued) party records and district choices.

B. Agree.

C. Corrective Action:

1. Already corrected. The 1978 application required that all party applications be submitted in the same envelope. Processing problems did not occur in 1978.
2. Already corrected. In 1978, the party validity program operated properly to ensure all party district choices were in the same sequence for each member of a party.

33. A. Recommendation:

We recommend that the department accept only completed applications prior to or on the deadline date.

B. Partially agree.

C. Corrective Action:

In 1978, nearly 40% of the nearly 75,000 drawing applications arrived at Fish and Game with some sort of error on the form such as incorrect hunting district and/or season type, no signature, improper birthdate, failure to send money with the application, omission of an elk or deer tag number, etc., prior to the application deadline. As a service to hunters, Fish and Game stamps these applications as they are received with a date stamp and contacts the hunter, either by mail or through a toll-free telephone number, and requests correction of the error.

This procedure allows hunters with errors on their forms a reasonable chance to correct them.

It is not possible for an applicant to apply for additional species through this error correction process. The dollar amount would have to be altered on the application form and this would be detected by Fish and Game upon return

33. C. Corrective Action (Continued)

of the form to Special Licensing.

However, written guidelines for what constitutes a complete application will be prepared and applications not meeting such criteria will be excluded from the drawings.

Although the auditors agreed the letter from Helena post office was adequate justification for accepting July 1 applications with a July 2 postmark, the Commission should formally approve any exceptions to the application deadline. If any such exceptions arise in the future years, the Commission will be advised. No such exceptions occured in 1978.

34. A. Recommendation:

We recommend that the department:

1. Include hunter safety certificate numbers on the license and drawing file and perform system validation checks based on birthdate.
2. Discontinue "dubbing" in birthdates.
3. Modify the license and drawing system to perform a validity check on application birthdates and corrected birthdates.

B. Agree.

C. Corrective Action:

1. Already corrected. This was implemented in 1978.
2. Already corrected. This practice was discontinued in 1978.
3. Already corrected. This modification was made in 1978.

35. A. Recommendation:

We recommend that the department modify the license drawing system to reject each application submitted without a conservation license number.

B. Agree.

35. C. Corrective Action:
In 1978, applications without valid conservation numbers were rejected.

36. A. Recommendation:
We recommend that the department modify the special licensing system to allow only one application per species into the drawings.

B. Agree.

C. Corrective Action:
Already corrected. This problem was caused by the practice of dubbing in birthdates which was discontinued in 1978 (see 35.C.2).

37. A. Recommendation:
We recommend that the department:
1. Establish an adequate filing system within the Special Licensing Section to allow for error research and an adequate audit trail.
2. Establish follow-up procedures for requested drawing file changes and corrections.

B. Agree.

C. Corrective Action:
1. Already corrected. An adequate filing system for batches and computer reports was established for 1978.
2. Already corrected. Balancing batches prior to the drawings will ensure all applications go into the drawings. (See 32.C.3).

38. A. Recommendation:
We recommend that the department modify the license and drawing system to properly reflect correction processing.

B. Agree.

38. C. Corrective Action:
Special programs to fix up or patch up the file were not used in 1978. Correction processing will be improved with implementation of the new drawing programs in 1980.

39. A. Recommendation:
We recommend that the department:
1. Utilize status indicators to reflect the reason for making each refund.
2. Comply with the Fish and Game Commission's policy on "NSF" and "no account" applications.

B. Agree.

C. Corrective Action:
1. Already corrected. A separate status indicator for NSF checks was established in 1978.
2. Already corrected. In 1978, applicants with NSF checks were eliminated from the drawings.

40. A. Recommendation:
We recommend that the department modify the on-line system to provide adequate access and to display all necessary information to properly process applications.

B. Agree.

C. Corrective Action:
Partially corrected. Fish and Game will continue trying to correctthe technical problem of "criteria too broad" error messages with the Department of Administration. A new application status for unlimited sheep was added to the on-line system in 1978.

41. A. Recommendation:
We recommend that the department:
1. Establish and implement adequate control procedures to properly identify qualified landowners from year to year.

41. A. Recommendation (Continued)

2. Give landowner preference only to qualified applicants who have applied for preference.

3. Revise the license application to provide a means for nonresident landowners to use their preference privilege or change the regulation giving preference.

B. Agree with recommendations 1 and 2. Partially agree with recommendation 3.

C. Corrective Action:

1 and 2. In both 1977 and 1978, Fish and Game verified each landowner preference applicant including those with mailing labels, with the local county assessor's office's across the state. A listing of successful landowners is unnecessary if landowner status is verified prior to entry into the drawings.

3. A means for nonresident landowners to use landowner preference will be provided but not necessarily through revision of the license application. A change in the regulation may also be proposed by Fish and Game.

42. A. Recommendation:

We recommend that the department implement balancing procedures for years' perference.

B. Agree.

C. Corrective Action:

Already corrected. Preference balancing was implemented in 1978.

43. A. Recommendation:

We recommend that the department modify the license drawing system to properly calculate year's preference.

B. Agree.

43. (Continued)

C. Corrective Action:

Already corrected. All years' preference records were reverified in 1978 and letters sent to over 20,000 hunters. Any discrepancy between Fish and Game records and the hunter was resolved by proper recordation of unsuccessful notices for previous years for moose, sheep, or goat. In 1978, the license drawing system was modified with a preference module which properly calculates years' preference.

44. A. Recommendation:

We recommend that the department:

1. Modify the license drawing system to blank out the license returned field of an applicant's record when he is successful.
2. Modify the license drawing system to update first year applied and the years' preference for those applicants who return their unused licenses.
3. Comply with statutes for returned license eligibility, and discontinue accepting affidavits in lieu of returned licenses.
4. Modify the license drawing system to update years' preference in accordance with Fish and Game Commission's policies and regulations relating to application for unlimited sheep districts.

B. Agree.

C. Corrective Action:

1. Already corrected. This was done for 1978.
2. This modification will be made in the license drawing program rewrite scheduled for completion in 1980.
3. This will be implemented in 1979.
4. Already corrected. The preference module program implemented in 1978 properly updated years' preference for unlimited

44. C. Corrective Action (Continued)

4. (continued) sheep districts.

45. A. Recommendation:

We recommend that legislation be enacted amending Section 26-202, R.C.M. 1947, to establish like age requirements for residents and nonresidents.

B. Agree.

C. Corrective Action:

Such legislation will be presented to the 1979 Legislature for consideration.

46. A. Recommendation:

We recommend that the department modify the drawing system to produce meaningful statistical reports.

B. Agree.

C. Corrective Action:

Already corrected. Statistical reports were modified for 1978. Further improvements will be accomplished in the license drawing program rewrite scheduled for completion in 1980.

47. A. Recommendation:

We recommend that the department:

1. Modify the license and drawing system to properly process and maintain adequate audit trails on multiple drawings.
2. Modify the license and drawing system to accept over-the-counter license sales and to maintain adequate audit trails relating to dual applications.

B. Agree.

C. Corrective Action:

These items will be scheduled for inclusion in the license drawing program rewrite scheduled for completion in 1980.

48. A. Recommendation:
We recommend that the Department of Administration, Computer Services Division, implement adequate controls to properly safeguard computer output.

Department of Administration, Information System Division response required.

49. A. Recommendation:
We recommend that the Department of Administration, Computer Services Division, adhere to internal control procedures to assure that lost or destroyed data files will be properly restored.

Department of Administration, Information System Division response required.

50. A. Recommendation:
We recommend that the department modify the drawing programs to allow each applicant an equal chance of selection.

B. Agree.

C. Corrective Action:
Already corrected. This rounding problem associated with the random number generator program was corrected by the Department of Administration, Information Systems Division, as soon as it was discovered.

51. A. Recommendation:
We recommend that the department work with the Department of Administration to establish procedures to ensure that drawings are conducted in accordance with regulations.

B. Agree.

C. In future years, better documentation of processing requirements, additional processing and check-out time, plus improved statistical reports can prevent such errors as years' preference operating when it should not have.

52. A. Recommendation:

We recommend that the department:

1. Submit written requests for work to be performed by the Information Systems Division, Department of Administration.
2. Maintain a file of correspondence between department personnel and Department of Administration personnel concerning the drawing system.

B. Agree.

C. Corrective Action:

Already corrected. Numerous written requests were submitted by Fish and Game for work to be performed by the Information Systems Division in 1978. Almost daily discussions occurred during the processing period from late May to late July in 1978 regarding the progress and status of the drawing file. A thick file of written correspondence between Fish and Game and the Information Systems Division was maintained by the Administrator of Centralized Services in 1978.

53. A. Recommendation:

We recommend that the department:

1. Prepare written guidelines for reviewing the results of game drawings.
2. Establish procedures to properly review application drafts, hunting maps, and the Fish and Game Commission's minutes to ensure that departmental action follows the commission's intent.

B. Agree.

C. Corrective Action:

1. This will be accomplished in 1979.
2. Already completed. Careful review of Commission minutes by Wildlife Division personnel will prevent reoccurence of the 1977 Area 310/360 mixup. Detailed review of the application form for 1978 by data processing, centralized services, wildlife, and enforcement personnel occurred.

54. A. Recommendation:
We recommend that the department establish procedures to properly inform the public of special permit changes.

B. Agree.

C. Corrective Action:
This will be accomplished.

55. A. Recommendation:
We recommend that the department establish system edits to prevent the issuance of licenses on which no name is printed.

B. Agree.

C. Corrective Action:
This computer error has been called to the attention of the Information Systems Division. Fish and Game will continue to request correction of this error from either ISD or Montana Systems Development until successful corrective action is completed.

56. A. Recommendation:
We recommend that the department modify the license and drawing system to allow acceptance of records with correct vital information and flag any incorrect nonvital information for department follow-up and correction.

B. Agree.

C. Corrective Action:
Fish and Game will incorporate this recommendation into the license drawing program rewrite scheduled for completion in 1980.

57. A. Recommendation:
We recommend that the department comply with established regulations on special season drawings or change the regulations to comply with their policy.

B. Agree.

57. (Continued)

C. Corrective Action:

Regulations were changed for the 1978 season.

58. A. Recommendation:

We recommend that the department establish and document procedures for combining duplicate records.

B. Agree.

C. Corrective Action:

List duplicates and combined duplicates programs were rewritten in 1978 and well-documented. Procedures for combining records will be better documented in 1979.

59. A. Recommendation:

We recommend that the department:

1. Establish and implement procedures relating to refunds to ensure compliance with regulations.
2. Expand the license and drawing system to capture elk tag information and issue refunds through the system for unsuccessful elk permit applicants.

B. Agree

C. Corrective Action:

Fish and Game will incorporate this recommendation into the license drawing program rewrite scheduled for completion in 1980.

60. A. Recommendation:

We recommend that the department establish additional coding to identify the reason for each refund.

B. Agree.

C. Corrective Action:

Fish and Game will incorporate this recommendation into the license drawing program rewrite scheduled for completion in 1980.

61. A. Recommendation:

We recommend that the department:

1. Establish controls to prevent issuing more than one refund for the same species.
2. Update the license and drawing file to properly reflect all refunds.
3. Consider alternatives to the present system of collecting species' permit money and then refunding it.

B. Agree.

C. Corrective Action:

Manual refund procedures will be more closely monitored in 1978. Posting of manual refunds to the license and drawing file will be incorporated into the license drawing program rewrite scheduled for completion in 1980. Legislation will be presented for consideration by the 1979 Legislature to charge a nonrefundable application fee (except for antelope) to recover drawing costs and bill successful applicants for licenses and/or permits. This will eliminate the need for holding hunters' money during the two month application processing period and refunding 3/4 million dollars each year.

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE
MITCHELL BUILDING
HELENA, MONTANA 59601

THOMAS L. JUDGE Governor

July 31, 1978

RECEIVED

MONTANA LEGISLATIVE AUDITOR

Mr. Morris L. Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

Dear Morris:

The Department of Administration's response to specific fundings and recommendations included in the Montana Department of Fish and Game Audit report follows:

Written Procedures, Page 48.

We recommend that the department:

2. *Requests a current license drawing systems user's manual from the Department of Administration, Information Systems Division.*

Department of Administration Response:

We concur. Please refer to the response to the page seventy-two recommendation.

Systems and Program Documentation, Page 49.

We recommend that the Department of Administration, Information Systems Division maintain adequate, up-to-date systems and programming documentation.

Department of Administration Response:

We concur. Please refer to the response to the page seventy-two recommendation.

Forms Control, Page 69

We recommend that the Department of Administration, Computer Services Division, implement adequate controls to properly safeguard computer output.

Department of Administration Response:

We concur. The physical security of forms will be improved when we move into the new Data Processing facility this fall.

MONTANA IS AN EQUAL OPPORTUNITY EMPLOYER

Restore Procedures, Page 69.

We recommend that the Department of Administration, Computer Services Division, adhere to internal control procedures to assure that lost or destroyed data files will be properly restored.

Department of Administration Response:

We concur. However, the recovery and backup procedures must be established and documented by the user.

Permit Selection, Page 72.

We recommend that the department work with the Department of Administration to establish procedures to ensure that drawings are conducted in accordance with regulations.

Department of Administration Response:

We concur. However, because of the importance and implication of this recommendation I have quoted a portion of Troy McGee's July 24, 1978, memorandum to Jack Crosser on the subject. "The Information Systems Division has had standards and quidelines for developing automated information systems for some time. This was pointed out on Page 48 of the audit report. The Special License Drawing System does not reflect the normal development and documentation methods of the Information Systems Division and should not be construed as a representative example of systems developed and maintained by this division. The extenuating circumstances relating to the evolution of the system and the resultant criticism in the audit report follow.

"The audit report cites poor coordination between the Information Systems Division (ISD) and the Department of Fish and Game (F & G) as the cause of certain technical deficiencies in the Licensing and Drawing System. Among these deficiencies are lack of issuance of a users manual, out-of-date system documentation, and certain processing inabilities that stem from oversights in the design of the system. These deficiencies are in fact all contradictions to the established procedures followed by ISD in implementing information processing systems. In an effort to determine why these breaches of normal convention occurred, an examination was made of the two sources of information available, ISD files of correspondence between ISD and F & G, and the firsthand experience of a senior ISD programmer who has worked on the drawings since their inception.

"In examining written correspondence it soon becomes apparent that until July 1977, the exchange of correspondence was minimal. The correspondence that did occur reveals two patterns:

"1. Since 1973, most requests for major enhancements to the license drawing system have been requested of ISD with less than six months time until they must be operational. These enhancements, which have occurred every year up until 1977, have included the following additions:

A. Party hunts for Antelope
B. Party hunts for Elk
C. Landowner preference for Antelope
D. Landowner preference for Special Deer
E. An entire Regional Deer drawing
F. Preference drawings for Moose, Sheep and Goat
G. Creation and maintenance of the License and Drawing (L & D) Master File.

"The time constraints thus imposed upon the Information Systems Division year after year have forced ISD to operate in a reactionary environment which is contrary to its liking and one that is in fact no longer acceptable to the Division.

"ISD systems analyst Mr. ...letter to Mr. ... of F & G dated December 24, 1975, typifies the environment ISD has worked in with regard to the license drawing system. This letter and the ten attached cost estimates deal with the implementation of the entire drawing system as it appears today. In the letter, Mr. ... refers to the 'limited amount of information available' and states 'Because certain hard deadlines are drawing near we have been forced to proceed with the systems analysis, design, estimating and documentation without firm specifications.' Mr. ...further states 'Because of impending deadlines the project must be undertaken on a near crash basis.' These two statements precisely characterize the environment of limited time frames to accommodate substantial requirements that ISD has found itself in.

"2. A second realization gained from the written correspondence is that in cases where enhancements were identified well in advance, F & G delayed in signing and returning cost estimates (which) sic resulted in reversion to a 'crash' mode of operation. Again referencing Mr. ...letter of December 24, 1975, he states that the ten attached estimates must be returned by January 9, 1976, if ISD is to have a chance of meeting deadlines. In a second letter to Mr. ...dated February 17, 1976, Mr. ...states that ISD has yet to receive any of the signed cost estimates. Finally on February 23, 1976, forty-five days after they were needed the estimates were signed.

"This correspondence illustrates not an isolated incident but rather the continuing nature of the relationship between ISD and Fish and Game. In spite of these constraints ISD has implemented more enhancements of a major nature to the license drawing system than it has to any other system that ISD maintains. The fact that little written

"correspondence exists can be attributed to a lack of formal direction from Fish and Game, and the unaffordability of the delays inherent in written communication, if deadlines were to be met. The fact that needed changes have been implemented within the years requested reflects the magnitude of the effort the Information Systems Division has made to meet the needs of its' customers. It is unfortunate that this effort on Fish and Games' behalf has exposed ISD to some of the criticisms which appear in this report.

"The audit report accurately states that the Information Systems Division has developed standard conventions for information system documentation. The report goes on to state that ISD should have furnished a users manual and specifications manual to the Department of Fish and Game. The documentation standards of ISD have never included issuance of a specifications manual to its customers. Copies of such a manual are issued to the responsible I/O Controller and retained by ISD. ISD standards regarding users manuals are that they be issued to the customer at the time the system is implemented. In the years 1973 through 1975, user manuals were in fact written and issued to F & G. Copies of some of these remain among ISD's documentation files. The critically absent users manual is then the version that should have been issued at drawing time in 1976. Again referencing Mr. ...letter and the ten cost estimates for the current license drawing system it was found that 2,345 hours of system design and programming were needed to implement the system. This amounts to fifty-eight weeks of work, yet the signed estimates were not received until twenty weeks prior to the drawing. ISD personnel were literally coding programs up until the time of the drawings. The 265 estimated hours for documentation of the system then became impossible to attain prior to the drawings. Why this necessary documentation wasn't done immediately after the drawings cannot be answered. The two ISD personnel responsible for implementing the License and Drawing System and thus also responsible for the system documentation, Mr....and Mr...., are no longer employed by ISD."

As noted above, it is clear that the lack of time to properly communicate, test and document the computer programs is the real cause of our problems. Recently, we have made some major changes in our Information Systems Division's procedures to help eliminate some of the problems noted in the audit report. Information recently received from various users indicates our efforts are beginning to payoff.

We appreciate your work and thank you for giving us an opportunity to respond to your recommendations.

Sincerely,

Doyle B. Saxby
Deputy Director

DBS:dr